AR70

Winspear Business Reference Library
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6

annual report 1999

george weston limited

Weston

contents

corporate profile

George Weston Limited is a broadly based Canadian company founded in 1882. It operates in two distinct business segments through Food Processing, which encompasses fresh and frozen bakeries, biscuit and dairy operations, as well as fish processing; and Food Distribution, operated by Loblaw Companies Limited, the largest food distributor in Canada.

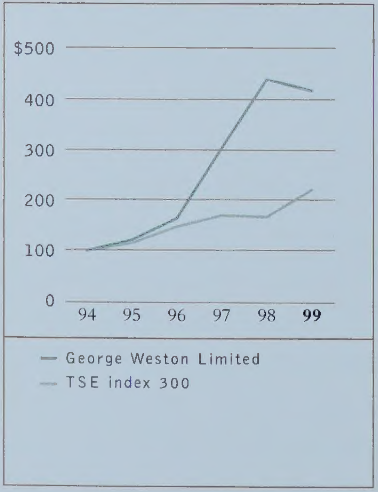
1999 sales were $21 billion, exceeding 1998 sales by $6 billion. Net earnings per share, excluding unusual items, net of tax, were $2.62, 40% or 75 cents above the $1.87 earned from continuing operations in 1998. Earnings per share, excluding unusual items and goodwill charges, both net of tax, improved even more dramatically by 56% to $2.99 from the $1.92 earned in 1998.

George Weston Limited is committed to creating value for its shareholders and to the belief that it should participate along with its more than 119,000 employees throughout its businesses in supporting the communities in which it operates.

financial highlights
continuing operations

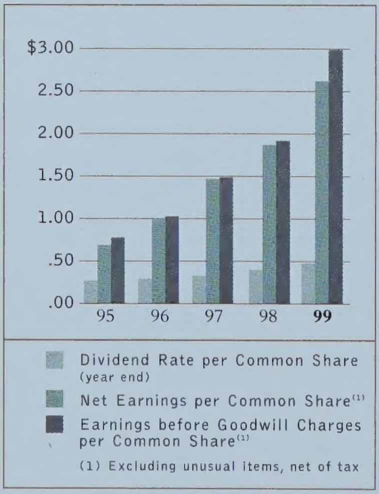
Total Return on $100 Investment

(includes dividend reinvestment)
($)

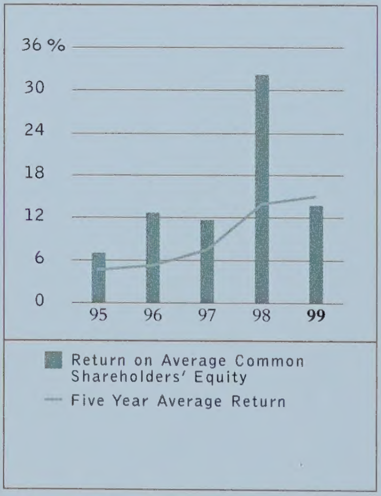


Net Earnings(1), Earnings before Goodwill Charges(1) and Dividend Rate Per Common Share

($)



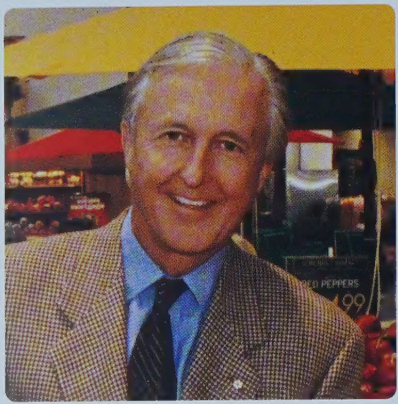
Return on Average Common Shareholders' Equity



Year ended December 31

($ millions)	1999	1998
SALES AND EARNINGS		
Sales	20,851	14,726
Trading profit (EBITDA)	1,326	917
Operating income	969	655
Interest expense	136	104
Net earnings	351	670
CASH FLOW		
Cash flows from operating activities before acquisition restructuring and other charges	947	588
Capital investment	911	720
PER COMMON SHARE ($)		
Earnings, excluding unusual items and goodwill charges, both net of tax	2.99	1.92
Net earnings, excluding unusual items, net of tax	2.62	1.87
Net earnings	2.67	5.05
Cash flows from operating activities before acquisition restructuring and other charges	7.19	4.43
Dividend rate (year end)	.48	.40
Book value	19.98	18.14
Market value (year end)	55.25	58.50
FINANCIAL RATIOS		
Returns on sales		
Trading profit (EBITDA)	6.4%	6.2%
Operating income	4.6%	4.4%
Net earnings, excluding unusual items, net of tax	1.6%	1.7%
Return on average total assets(1)	11.2%	9.7%
Return on average common shareholders' equity(1)	14.0%	32.3%
Interest coverage on total debt(2)	7.1:1	6.3:1
Total debt(2) to shareholders' equity(1)	.93:1	.96:1
Total debt(2), excluding Exchangeable Debentures, to shareholders' equity(1)	.79:1	.80:1

(1) Ratios are computed as follows:
Return on average total assets = operating income divided by average total assets excluding cash and short term investments.
Return on average common shareholders' equity = net earnings from continuing operations divided by average common shareholders' equity.
Total debt to shareholders' equity = total debt divided by total shareholders' equity.
(2) Total debt is defined as total debt less cash and short term investments.
(3) Certain prior year's information was reclassified to conform with the current year's presentation.



W. GALEN WESTON
Chairman of the Board

chairman's message

1999 was the most exciting and successful year in your Company's history, and an extremely gratifying finale to the millennium.

The Provigo acquisition, the largest in our Company's history, has proven to be a good one and given Loblaw a truly national presence. The largest capital program ever in the rest of our business including new stores, baking facilities, computer and system upgrades has been completed with few disappointments; further divestments of unproductive assets have also been accomplished. It was an enormous management challenge to achieve all this in a fast changing marketplace and a great credit to Richard J. Currie and his management team who have been able to improve the Company's performance on almost every front.

Sales for the year increased 42%, reaching almost $21 billion with little inflationary impact. Earnings per share from continuing operations, excluding unusual items, net of tax, were up by 40% from $1.87 to $2.62. Operating income return on sales improved to 4.6% from last year's 4.4%. Return on assets increased from 9.7% to 11.2% and return on equity from continuing operations, excluding unusual items, improved from 12.0% to 13.7%.

As always the talent, energy and positioning of our people is critical to our success and in this area the late 1998 appointments that were made, placing Gary Prince as President of Weston Foods, Inc., United States operations and Ralph Robinson as President of Weston Foods Inc., Canadian operations, have been timely and appropriate. We now have separate but coordinated, top management talent in each country responsible for their respective fresh, frozen and other processing areas and focusing on their particular customer base.

The completion of the divestiture of the wild salmon and tuna operation on the West Coast early in 1999, now provides us with a predictable, profitable and fast growing fisheries business, under the able direction of Terry McDonnell.

On the retail front, Loblaw Companies, the largest engine of growth within our Company also reached new heights of sales and profitability this year. The additions of Provigo and Agora added over $5 billion of sales to an existing base that also grew by 10% in 1999. Loblaw now holds market positions of strength in every region in which it operates. Sales and operating income both increased over 50% in 1999 and returns on sales rose to 4.3% from 4.2% last year.

The technology wave which incorporated the Y2K related upgrade in our software systems is now sweeping through our industry with great intensity. While we see significant opportunities on the cost side from its careful application behind the scenes in the business we are also aware of the direct to customer sales opportunities. We are already ahead of the pack with our *President's Choice Financial* services initiative, which has had a successful year. It is at present in the process of rolling out a number of new initiatives including test marketing a credit card – a facility we expect will be well received by our customers. At the same time we are giving serious consideration to other business opportunities in the "e-commerce" area. While we are excited by our opportunities in this area, we continue to invest heavily in new bricks and mortar where we are confident sales and profitability can be further enhanced to a significant extent. We also believe the strength of our brands is critical to our future in both the traditional and the "e-commerce" area and will be reapplying ourselves to their growth and continued vitality.

The financial strength and positive momentum of George Weston Limited has never been more clearly obvious and we have no shortage of attractive options in which to reinvest our now powerful cash flow.

Loblaw has identified over 100 new locations across Canada capable of extending and re-invigorating our retail offering in which our non-traditional businesses including home meal replacement, drug and health food merchandise, bulk pack and seasonally focused household and gift items are expected to grow a great deal faster than basic foodstuffs.

Our food processing growth opportunities in Canada will be significant and able to piggy back on our store expansions and our bakery related and aquaculture opportunities in the United States are extensive and increasingly interesting.

While price earnings multiples in what are perceived as old world companies have fallen during the explosive growth of largely unprofitable to date new world businesses, we are confident that we have many attributes with which to leverage ourselves into the new world without significant cost to our bottom line. This makes us doubly confident that our Company can continue to grow rapidly, generate added value and prove to shareholders to be a highly desirable short and long term investment.

My thanks to customers, suppliers, employees and our highly capable and determined management team across Canada and the United States for their continued support.

W. Galen Weston

FOOD PROCESSING

OPERATIONS

Connors Bros.
Connors Seafoods
Heritage Aquaculture
Interbake Foods
Maplehurst Bakeries
Neilson Dairy
Ready Bake Foods
Stroehmann Bakeries
Weston Bakeries

LOCATIONS

FRESH BAKERY PLANTS	
Canada	15
United States	8
FROZEN BAKERY PLANTS	
Canada	6
United States	5
BISCUIT PLANTS	
United States	3
DAIRY	
Canada	2
CONNORS BROS.	
Canada	2
Scotland	1
SALMON FARMS	
Canada	9
United States	6
Chile	6
SALMON HATCHERIES	
Canada	4
United States	2
Chile	1
SALMON PROCESSING	
Canada	1
United States	1

PROCESSING

FOOD DISTRIBUTION

OPERATIONS

Atlantic SaveEasy
Atlantic Superstore
Dominion
(in Newfoundland)
Extra Foods
Fortinos
Loblaws
Lucky Dollar Foods
Maxi and Maxi & Co.
no frills
Provigo
The Real Canadian Superstore
The Real Canadian Wholesale Club
Shop Easy Foods
valu-mart
Your Independent Grocer
Zehrs

LOCATIONS

Corporate	585
Franchised	417
Associated	817
Independent Accounts	9,637

DISTRIBUTION

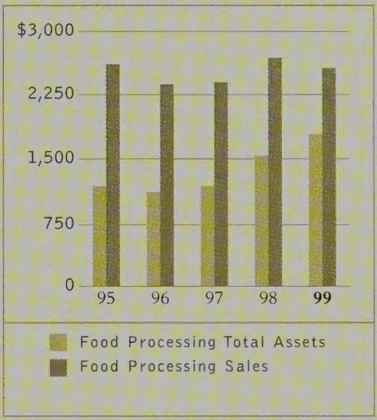
1999 REVIEW

- Sales increased 8%, excluding the impact of selling the British Columbia Packers operations
- Operating income of $166 million, a record high, increased 25% over 1998
- Continued focus on growth and on operating cost improvements resulting from the realignment of the fresh and frozen bakery businesses in Canada and the United States
- Acquisition of Fieldfresh Farms dairy
- Completed the sales of the British Columbia Packers branded canned seafood distribution business and production facilities

FUTURE OUTLOOK

- Continued strong sales and earnings growth
- Estimated capital investment of $130 million
- Focus on operational improvements, cost control and sales growth
- Fisheries continued its focus on salmon hatchery operations with the 2000 acquisition of an existing Canadian West Coast business

Sales and Total Assets
($ millions)



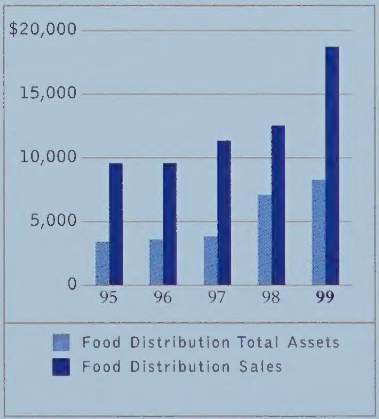
1999 REVIEW

- Sales and operating income improvements of over 50%
- Successful integration of Provigo and Agora acquisitions with the existing Loblaw network
- Increased market share
- 56 new corporate and franchised stores opened
- $802 million capital investment program

FUTURE OUTLOOK

- Improved sales and earnings
- Focus on product merchandising and store operations
- Introduction of new products of *President's Choice Financial* services
- Plans to open, expand or remodel over 100 corporate and franchised stores throughout Canada
- Estimated capital investment of $900 million

Sales and Total Assets
($ millions)



RICHARD J. CURRIE
President

president's report

The past year of 1999 was a tremendously positive one for George Weston Limited. Operating results reached new highs in total and in all major components of the business. Net earnings per share, excluding unusual items, net of tax, increased 75 cents per share in 1999 to $2.62, a 40% increase over last year's $1.87 earned from continuing operations, and more than 2½ times the level of just 4 years ago. Sales of $21 billion were 42% higher than last year's previous high of $15 billion. Operating income improved 48% to $969 million, with sales yield increasing to 4.6% from 4.4% in 1998. Every part of the Weston business improved in a meaningful way in 1999.

Food Processing had its best operating year ever in 1999 with sales of $2.6 billion and operating income increasing by 25% to $166 million. The Canadian fresh and frozen baking and dairy operations were combined and operated for the first time as one business in 1999. It was a year of many successes and much progress, but not without challenges or repercussions from the Loblaw acquisition of Provigo in Quebec. All matters were dealt with and the business went on to enjoy its most profitable year to date. Fresh and frozen operations were streamlined from administration, production, logistics and plant coordination through to sales and marketing activities,

giving the business a cohesive, cost effective operating structure that is expected to get even better. The growth of the Canadian business will soon outstrip capacity and a new fresh bakery facility is under construction in Nova Scotia to serve the Maritime region and parts of Quebec. Neilson Dairy had its best year ever, benefiting from increased volume from its early 1999 acquisition of Fieldfresh Farms. Neilson Dairy now operates one of the most efficient fluid milk production facilities in North America at Halton Hills and new geographic plant capacity is under consideration.

The United States fresh and frozen baking and biscuit operations had a very solid and successful year. That business also was combined and operated as one business for the first time in 1999. The mid-1998 Stroehmann acquisition of Maier's was successfully integrated, enhancing its competitive position through greater breadth of offering and a tighter distribution network. The Interbake biscuit operation performed well in 1999 in fund raising, dairy baked ingredients and grocery products. Some inefficiencies in our Maplehurst frozen bakery operations were overcome during the year, temporarily depressing earnings of that business. Prefried donut, par baked bagel and cake operations continue to improve and Maplehurst profitability has now been obtained, thanks in part to the one-business approach now being used in the United States.

Fisheries had an extremely successful year in 1999. Early in the year, we completed the sales of the branded tuna business and then the wild salmon processing business on the West Coast, keeping the more stable and higher potential growth businesses of canned sardines and farmed salmon. The fisheries operations have become very efficient processors of quality farmed salmon, sardines and fish meal. Sales reached new highs for the continuing business in 1999 and fisheries went on to generate more operating income in 1999 than in any previous year, which at that time included the now sold British Columbia Packers operations. The salmon farming business recently acquired a Canadian West Coast business to supplement its Vancouver Island, Bay of Fundy and Chilean operations. We intend to have our farmed salmon business rate of growth exceed that of a market which is growing in excess of 20% annually.

Food Distribution (Loblaw Companies) had a spectacular year in 1999. Sales and earnings growth surpassed expectations as sales increased by 50% to $18.8 billion and operating earnings by 54% to $803 million. Every banner within Loblaw improved its performance to new highs, which was complemented by the addition of Provigo and Agora in late 1998. It was a year of remarkable change for the Loblaw business, as banner operating responsibilities were realigned in several regions, new and common systems were built and the merging of the 1998 acquisitions into the existing Loblaw business began realizing the inherent synergies. All objectives were successfully accomplished. It would be wrong to minimize or understate the enormity of the mergers, which increased the total business by over one-third. Getting so much of the banner, systems, buying, logistics, asset sales and administrative work behind us in 1999 now allows future concentration on product merchandising and store operations. The Loblaw strategy of creating an exciting and convenient one-stop shop for everyday household needs continues ever more successfully, with new large stores all being built with a full array of value-added departments such as pharmacy, photolab, children's clothes, health and beauty care, hot and cold prepared meals and many other convenient customer services. *President's Choice Financial* services was successfully launched two years ago, providing quality financial products and services and substantially lower cost than traditional banking services. This year, a credit card will soon be available across Canada, as another service to our customers. The capital investment program continued at a relentless pace with 56 new corporate and franchised stores opened and 96 major renovations or minor expansions completed in 1999.

George Weston Limited is proud to be included in the Canada Post Millennium Stamp Collection. This collection of 68 stamps recognizes the value, ingenuity and achievements of Canadian individuals, institutions and companies that have shaped our nation's development.
© Canada Post Corporation reproduced with permission.

EBITDA, probably the best measure of operating cash flow, reached $1.3 billion at Weston, providing more than sufficient cash to support the ongoing reinvestment program. This year, almost $1 billion was invested into new stores, production plants, warehouses and computer systems to expand, improve and refresh the asset base on which our business is based and from which we derive our profits. The combination of sound leadership at all levels, the right mix of creative minds and individuals who can execute a plan, modern assets in the right locations and a strong balance sheet makes for a formidable company. George Weston Limited has become such a company and is in a position to leverage its skills in any direction in the future, a future that can now be entirely of its own making.

My annual report to you must of necessity be brief. In it this time, I hope to have made you aware of just what a stupendous year of accomplishment 1999 was.....The fishing asset disposals and resultant business improvements, the other Canadian and United States Food Processing reorganizations and record earnings, the Loblaw superior results in addition to its many integrations.....All are easy to write about but difficult to do day in and day out. George Weston Limited has developed a management team second to none and not just in the food distribution and food processing industries. To work the way they do and accomplish what they do cannot be for the money nor can it be for the glory. It must be because they want to do it. And for me to be part of it, if just for this year, is worth a career.

biscuit operations

Quality of production and consistent value has allowed Interbake Foods, the biscuit producing division of Weston, to become one of the largest and most successful producers of Girl Scout cookies in the United States. Quality and value are synonymous with all of our Food Processing operations, from Connors' sardines and fresh salmon, Neilson's dairy and Ready Bake/Maplehurst's frozen bakery to our fresh baking business.

Fresh baking operations in Canada and the United States through Weston Bakeries and Stroehmann Bakeries provide significant market presence in all regions in which we do business. Products include a wide variety of bread, rolls, bagels and other baked goods under our *Wonder, D'Italiano, Weston, Country Harvest, Stroehmann, Maier's* and *Dutch Country* brand names, which are renowned for great taste and quality.

fresh/frozen bakery

food distribution

Trusted for its reliable, top quality offering of products and services including its famous *President's Choice* line, Loblaw is the national market leader in food distribution. Its convenient, one-stop shopping settings include a full array of value-added departments such as pharmacy, photolab, children's clothes, health and beauty care, hot and cold prepared meals and many other convenient customer services.

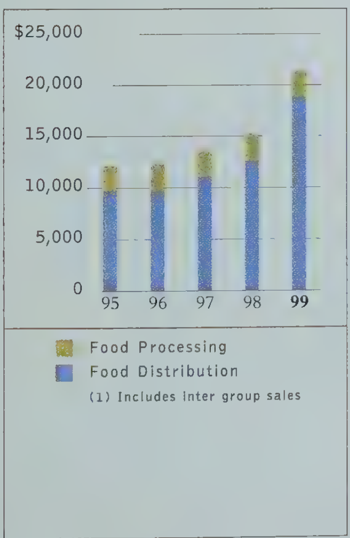
financial information

management discussion and analysis

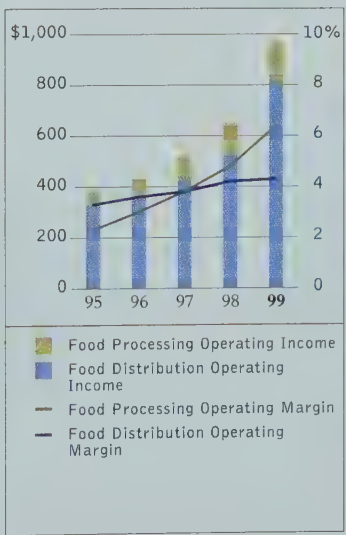
HIGHLIGHTS

- Sales growth of 42% to $20.9 billion; 8% increase in Food Processing, excluding the impact of selling the fishing and canning operations of British Columbia Packers Limited; 50% increase in Food Distribution.
- Operating margin (operating income divided by sales) increased to 4.6% from 4.4% in 1998; Food Processing 6.4% (1998 – 4.9%); Food Distribution 4.3% (1998 – 4.2%).
- Cash flows from operating activities before acquisition restructuring and other charges increased to $947 million from $588 million in 1998.
- Capital investment increased to $911 million from $720 million in 1998.
- Net earnings per share, excluding unusual items, net of tax, increased 40% or 75 cents to $2.62 from last year's $1.87 earned from continuing operations.
- Earnings per share, excluding unusual items and goodwill charges, both net of tax, improved 56% to $2.99 from last year's $1.92.
- Loblaw completed the Provigo acquisition in 1999.
- Debt/equity ratio of .93:1 (excluding Exchangeable Debentures, .79:1) compared to .96:1 in 1998 (excluding Exchangeable Debentures, .80:1).
- Sales and earnings for 2000 and beyond are expected to show continued strong growth in both Food Processing and Food Distribution.

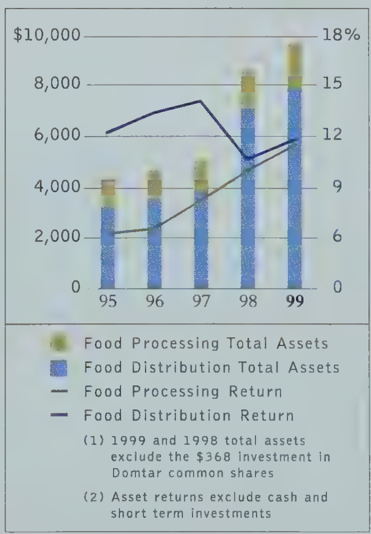
Sales[1]
(Continuing Operations)
($ millions)



Operating Income and Margin
(Continuing Operations)
($ millions)



Total Assets[1] and Return on Average Total Assets[2]
(Continuing Operations)
($ millions)



Sales and operating income reached record highs in 1999. The Company began to realize the benefits of the reorganizations and integrations within the Food Processing operations and the synergies associated with the 1998 Food Distribution acquisitions.

Food Processing further expanded its operations in 1999 with the first quarter acquisition of the Ontario dairy operation of Oshawa Foods, operating as Fieldfresh Farms. In the first quarter of 1999, the Company completed the sale of its branded tuna business and wild salmon processing business, both operated by British Columbia Packers Limited, in order to concentrate on its canned sardines and salmon fish farming operations. Subsequent to year end 1999, expansion continued with the acquisition of an existing salmon hatchery operation on the Canadian West Coast.

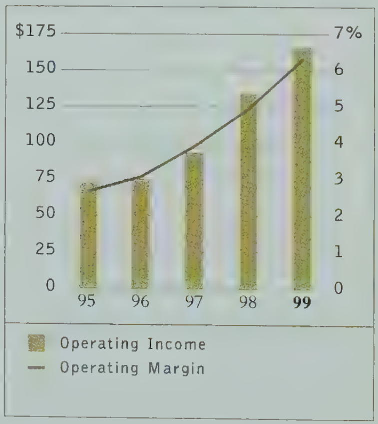
Also in the first quarter of 1999, Food Distribution, operated by Loblaw purchased the remaining 2% of Provigo's common shares by issuing Loblaw common shares valued at $16 million and paying cash of $14 million. The issuance of common shares had a minor impact on the Company's ownership of Loblaw.

Loblaw holds a strong market position in all areas of operation. The 1998 Provigo and Agora acquisitions significantly increased Loblaw's presence in Quebec and Atlantic Canada. Loblaw has begun to realize the benefits associated with these acquisitions.

Net earnings per share, excluding unusual items, net of tax, increased 75 cents to $2.62, a 40% increase over the $1.87 earned from continuing operations in 1998. Earnings per share, excluding unusual items and goodwill charges, both net of tax, improved even more dramatically by 56% to $2.99 from last year's $1.92.

Sales of $20.9 billion exceeded 1998 by $6.1 billion, or 42%, and reached a new record high. Food Processing's sales declined 4%, due entirely to the sale of the British Columbia Packers fishing and canning operations. Excluding this disposition, Food Processing's sales increased by 8%.

Food Processing
Operating Income and Margin
($ millions)



Food Distribution's sales increased 50%, including 40% growth attributable to the fourth quarter 1998 Provigo and Agora acquisitions.

Operating income improved in 1999 to $969 million, a 48% increase over 1998. Consolidated operating margins, defined as operating income divided by sales, improved to 4.6% from 4.4% in 1998. The trading margin, defined as operating income before depreciation and amortization (EBITDA) divided by sales, improved to 6.4% from 6.2% in 1998. Food Processing's operating income increased 25% or $33 million to $166 million in 1999, with operating margins improving significantly to 6.4% from 4.9% in 1998. Food Distribution's operating income of $803 million was a $281 million or 54% increase over 1998, while operating margins improved to 4.3% from 4.2% in 1998.

Interest expense increased 31% to $136 million in 1999 from $104 million in 1998. The increase resulted primarily from higher net average borrowing levels due to the full year impact of the 1998 acquisitions. Cash flows from operating activities before acquisition restructuring and other charges increased to $947 million in 1999, providing funding for the $911 million capital investment program.

The effective income tax rate, excluding the impact of unusual items not tax effected, decreased to 38.1% (36.1% excluding the impact of unusual items not tax effected and non-taxable goodwill charges) in 1999 from 39.6% (39.5% excluding the impact of unusual items not tax effected and non-taxable goodwill charges) in 1998.

RESULTS OF OPERATIONS

Food Processing's sales of $2.6 billion decreased by $109 million or 4% in 1999 over 1998. The sales decrease was due entirely to the sale of the British Columbia Packers fishing and canning operations, which contributed $365 million in sales in 1998 and $65 million in 1999. Excluding this disposal, Food Processing's sales increased 8% or $191 million.

SALES (Continuing Operations)

($ millions)	1999	Change	1998
Food Processing	$ 2,578	(4)%	$ 2,687
Food Distribution	18,783	50 %	12,497
Inter Group	(510)		(458)
Consolidated	$20,851	42 %	$14,726

The Canadian fresh and frozen baking and dairy operations were combined into one business group in 1999. Fresh bread and rolls, frozen dough, bagels and sweet goods are sold throughout Canada under leading national brands including *Wonder, D'Italiano, Country Harvest* and *Weston*. Neilson Dairy, the largest milk producer in Ontario, continued to grow through its first quarter 1999 acquisition of the Ontario dairy operation of Oshawa Foods, operating as Fieldfresh Farms. Solid volume growth in the Canadian fresh and frozen baking operations and the added volume from the Neilson Dairy acquisition all contributed to sales growth. Sales in the Canadian fresh and frozen baking and dairy businesses grew by 8%.

The Company operates its United States fresh and frozen baking and biscuit operations as one business unit with three divisions: Stroehmann Bakeries, Interbake Foods and Maplehurst Bakeries. Sales for 1999 increased 3% over 1998. Stroehmann realized a full year of sales from its 1998 acquisition of Maier's Bakery in Reading, Pennsylvania. Biscuit sales by Interbake in the dairy, fund raising and grocery sectors were solid. Some strategic refocusing of the Maplehurst frozen baking operations reduced its sales in 1999.

Fisheries' sales for the Connors canned sardines and Heritage farmed salmon operations experienced sales growth of 7% due to higher volumes of salmon with stable market prices combined with steady growth in the sardines and feed operations. In the first quarter of 2000, a Canadian West Coast salmon hatchery operation was acquired to supplement current capacity.

In 2000, Food Processing will expand its production capacity with a new fresh bakery in Nova Scotia to service Atlantic Canada and portions of Quebec. Facilities continue to be made more efficient with the addition of new technology in the farmed salmon and canned sardine processing operations in Black's Harbour, New Brunswick and through the refocusing and realignment of bakery production assets in both Canada and the United States.

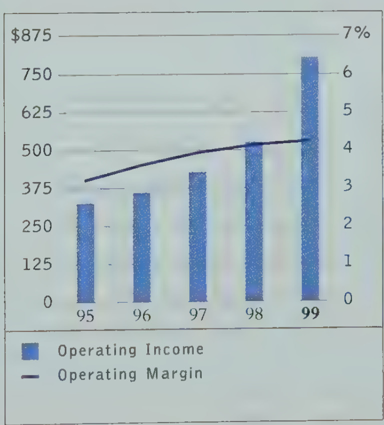
Food Distribution's base business sales in 1999 grew by 10% and the Provigo and Agora acquisitions contributed an additional 40% increase in sales. The sales growth is attributable to same-store sales growth of over 4% and the results of increased average store square footage from new stores opened as part of the capital investment program. In both 1999 and 1998, price inflation was not a significant factor in the sales growth.

During the third quarter of 1999, Loblaw completed the sale of 44 stores, principally Loeb in Ontario, as part of the Provigo transaction. The applicable 1999 and 1998 sales and earnings from these stores were excluded from Loblaw's reported results. The remaining Ontario stores acquired in the Provigo acquisition were converted to existing Loblaw banners and programs during the year.

The 1999 corporate and franchised store capital investment program increased the weighted average net square footage by 5% compared to a net 10% increase in the Loblaw base business weighted average square footage in 1998. The weighted average square footage change in corporate and franchised stores includes the impact of store openings and closures throughout the year.

Over the past three years, Loblaw's $1.9 billion capital investment program significantly expanded the store network and strengthened the existing store base through renovation, expansion and/or replacement. Some of these new, larger stores were replacements for older, smaller, less efficient stores that did not offer the broad range of products and services that today's shopper demands. During 1999, 56 (1998 – 65) new corporate and franchised stores were opened and 96 (1998 – 38) underwent major renovation or minor expansion. New stores include major

Food Distribution
Operating Income and Margins
($ millions)



expansions to existing locations, which is consistent with the definition used by the Food Marketing Institute. In 1999, the average store size increased 8% to 41,900 square feet for corporate stores and 15% to 22,100 square feet for franchised stores, many of which are located in smaller cities and towns in rural areas. The store investment activity benefited all banners to varying degrees.

In 2000, Loblaw plans to open, expand or remodel over 100 corporate and franchised stores throughout Canada with a similar geographic investment pattern to that of the last several years with the exception of increased investment in Quebec. This will result in an expected net increase of 3 million square feet or an 8% net increase, which is expected to generate additional sales growth.

OPERATING INCOME AND MARGIN (Continuing Operations)

	1999	Change	1998
OPERATING INCOME *($ millions)*			
Food Processing	**$166**	25%	$133
Food Distribution	**803**	54%	522
Consolidated	**$969**	48%	$655
OPERATING MARGIN			
Food Processing	**6.4%**		4.9%
Food Distribution	**4.3%**		4.2%
Consolidated	**4.6%**		4.4%

Food Processing's operating income of $166 million was $33 million or 25% higher than last year's previous record high of $133 million. Operating margin improved significantly to 6.4% from 4.9% in 1998, while trading margin increased to 9.7% from 7.9% in 1998. Strong sales growth, excluding British Columbia Packers, combined with lower operating costs primarily in fisheries and the Canadian and United States fresh bakery and biscuit operations, generated good earnings growth, which offset a short term decline in the United States frozen bakery business as operations were realigned in 1999. Connors continues to focus on improving manufacturing efficiencies and capital investment continues to support those efforts. Improved salmon strains and excellent husbandry practices, along with stronger prices in the United States market, resulted in significant improvement in the profitability of both the East and West Coast fish farming operations.

Canadian fresh and frozen bakery operations realized their best operating year to date. Increased volumes in most regions combined with operating and overhead cost reductions generated improved earnings and yield on sales. Fresh baking and biscuit operations in the United States continued to improve efficiencies and realize synergies from the combined strengths of these businesses. Plant and distribution capital investment remained focused on operating cost reductions and streamlining production and distribution.

Operating income for Food Processing in 2000 is expected to exceed that in 1999 as operations continue to improve manufacturing efficiencies and reduce operating costs.

Food Distribution's operating income grew by $281 million or 54% to $803 million in 1999 following a 23% increase in 1998. Operating margin improved to 4.3% from 4.2% in 1998, while trading margin increased to 5.7% from 5.6% in 1998. The positive impact on operating margins

resulted from continued focus on cost control, rationalization and centralization of similar functions, the integration of Provigo and Agora and from higher volumes leveraging off fixed costs. Gross margins (cost of sales divided by sales) improved slightly from a combination of reduced product costs and improved product mix by selling a different mix of products with a proportionately higher margin than in prior years even though some individual product margins may have actually decreased compared to last year.

During the second quarter of 1999, Loblaw completed the Provigo valuation analysis and recorded the purchase equation, including goodwill of $1.6 billion upon acquisition. The resultant statement of earnings impact of all components of the purchase equation was recorded retroactively to the beginning of the year.

In 2000, operating income growth for Food Distribution is expected to be similar to that achieved over the past several years excluding the impact of Provigo and Agora 1999 results. Growth will be supported by the maturing of stores opened during the past couple of years, the integration and development of the Provigo and Agora businesses and the significant capital investment program in stores and support services.

TRADING PROFIT AND MARGIN (Continuing Operations)

	1999	Change	1998
TRADING PROFIT (EBITDA) *($ millions)*			
Food Processing	$ 250	18%	$212
Food Distribution	1,076	53%	705
Consolidated	$1,326	45%	$917
TRADING MARGIN			
Food Processing	9.7%		7.9%
Food Distribution	5.7%		5.6%
Consolidated	6.4%		6.2%

INTEREST AND INCOME TAXES

Interest expense increased 31% to $136 million in 1999 from $104 million in 1998. The increase resulted primarily from an increase in average net borrowing levels due to the full year impact of the 1998 acquisitions, together with a capital investment program of $911 million, partially offset by the positive effect of interest income in connection with a Loblaw income tax refund. Total interest expense in 2000 is expected to increase as a result of higher borrowing levels and the 1999 inclusion of interest income in connection with a Loblaw income tax refund. Capital investment in 2000 should be funded, for the most part, from cash flows from operating activities.

The effective income tax rate, excluding the impact of unusual items not tax effected, decreased to 38.1% (36.1% excluding the impact of unusual items not tax effected and non-taxable goodwill charges) in 1999 from 39.6% (39.5% excluding the impact of unusual items not tax effected and non-taxable goodwill charges) in 1998. The decrease was a result of higher income generated from operations in locations with lower effective income tax rates and higher non-taxable amounts offset by non-deductible goodwill charges. In 2000, the tax rate is expected to remain stable.

MAJOR CASH FLOW COMPONENTS (Continuing Operations)

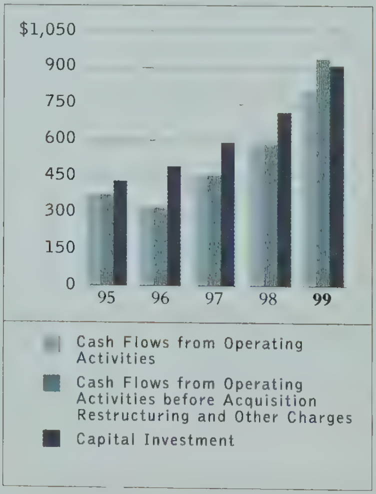
($ millions)	1999	Change	1998
CAPITAL INVESTMENT			
Food Processing	$109	(10)%	$ 121
Food Distribution	802	34%	599
Consolidated	$911	27%	$ 720
BUSINESS ACQUISITIONS	$ 44		$1,228
BUSINESS DISPOSITIONS	$216		$ 435
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE ACQUISITION RESTRUCTURING AND OTHER CHARGES	$947	61%	$ 588
CASH FLOWS FROM FINANCING ACTIVITIES	$ 72		$ 969

CAPITAL RESOURCES AND LIQUIDITY

The Company's financial position remained strong through 1999 and this position is expected to continue in 2000. The 1999 total debt to equity ratio, including cash and short term investments, improved to .93:1 (excluding Exchangeable Debentures, .79:1) from .96:1 (excluding Exchangeable Debentures, .80:1) in 1998. The improvement in the ratio was the result of a $229 million increase in common shareholders' equity in 1999, primarily from net earnings retained in the business being in excess of the increase in the Company's debt level. For the eleventh consecutive year, the ratio remains within the Company's internal guideline of less than a 1:1 ratio.

The 2000 ratio is expected to be relatively consistent with 1999 as the one-time charges to retained earnings as the Company implements the new Canadian Institute of Chartered Accountants (CICA) accounting requirements for the measurement of employee future benefits

Cash Flows from Operating Activities and Capital Investment
(Continuing Operations)
($ millions)



(including pension and other retirement and post-employment benefits) and future income taxes will be offset by net earnings retained in the business. During the first quarter of 2000, the expected decrease to retained earnings (net of income tax) is approximately $114 million related to the change in measurement of employee future benefits and the expected increase to retained earnings is approximately $19 million for future income taxes.

Interest coverage increased to 7.1 times in 1999 from 6.3 times in 1998, which reflects the full year interest impact from higher debt levels as a result of the 1998 acquisitions offset by a larger increase in operating income.

The 1999 capital investment program reached a record high of $911 million, a $191 million increase over 1998. At year end 1999, projects-in-progress, which the Company has effectively committed to complete, total approximately $129 million of the 2000 estimated capital investment of $1.0 billion (Food Processing – $130 million, Food Distribution – $900 million). The 1999 capital investment within the Food Processing segment was primarily for plant production and distribution efficiency improvements, line extensions and system upgrades. Food Distribution's 1999 capital investment increased significantly in 1999 reflecting its ongoing commitment to invest for growth across Canada including new stores, expansions and significant remodeling and refurbishing.

Cash flows from continuing operating activities before acquisition restructuring and other charges increased to $947 million from $588 million in 1998 mainly reflecting improved operating income.

Short term liquidity is provided by a combination of internally generated cash flow, net cash, short term investments and access to the commercial paper market. During 1999, the Company maintained a commercial paper program of $300 million and Loblaw increased its commercial paper program from $500 million to $800 million. The Company's program is rated A-1 (High) and R-1 (low) by the Canadian Bond Rating Service (CBRS) and Dominion Bond Rating Service (DBRS) respectively, while the Loblaw program is rated A-1 and R-1 (low) by CBRS and DBRS

respectively. The commercial paper programs of the Company and Loblaw are supported by lines of credit extended by several banks totaling $325 million and $920 million respectively at year end. Commercial paper is used primarily for short term financing requirements.

Longer term capital resources are provided by direct access to capital markets. The Company's long term debt is currently rated A+ (Low) by CBRS and A by DBRS. Loblaw also has direct access to capital markets and has a long term debt rating of A (High) by CBRS and A (high) by DBRS. Loblaw accesses longer term capital markets through its Medium Term Note (MTN) program. An MTN shelf prospectus is filed allowing Loblaw to issue, over a 2 year term, up to a specified principal amount of unsecured debt obligations with maturities of not less than 1 year. During the first quarter of 1998, Loblaw filed a shelf prospectus to issue up to $500 million of MTN. In 1998, Loblaw issued $200 million of MTN and during the first quarter of 1999, Loblaw issued the remaining $300 million of MTN related to the 1998 shelf prospectus. In the first quarter of 1999, Loblaw filed another shelf prospectus to issue up to $500 million of MTN. During the first quarter of 1999, Loblaw issued $300 million of MTN related to the 1999 shelf prospectus. The proceeds from the $600 million of MTN issued in the first quarter of 1999 were used to repay the $771 million unsecured credit facility used in the acquisition of Provigo. During the first quarter of 2000, Loblaw issued the remaining $200 million of MTN related to the 1999 shelf prospectus.

During the first quarter of 2000, Loblaw announced its intention to redeem its $100 million 5.39% Notes in accordance with their terms. In addition, during the second quarter of 2000, Loblaw plans to file a shelf prospectus to issue up to $1.0 billion of MTN. This prospectus will cover Loblaw's funding and refinancing needs for a 2 year period from the filing date.

In 1998, Loblaw's $75 million Series 6, 9.75% debentures and its $16 million First Preferred Shares, Second Series debt equivalents were redeemed according to their respective terms.

Financial instruments are used to manage the effective interest expense and currency exposure of the Company. The Company maintains treasury centres, which operate under Company approved policies and guidelines covering foreign exchange and interest rate management.

The Company and Loblaw expect to meet their respective 2000 cash requirements through a combination of internally generated funds, the $1.1 billion commercial paper programs and by drawing on the available Loblaw MTN facility.

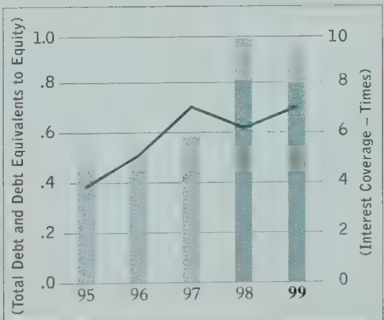
The 1999 year end weighted average interest rate on fixed rate long term debt (excluding capital lease obligations and Exchangeable Debentures) decreased to 7.8% from 8.4% in 1998. The weighted average term to maturity increased to 19 years in 1999 from 18 years in 1998. The Loblaw MTN issues decreased the Company's weighted average interest rate and increased the weighted average term to maturity. When the Exchangeable Debentures are included, the weighted average interest rate decreased to 7.2% from 7.4% in 1998 and the weighted average term to maturity was 19 years at year end 1999, consistent with 1998.

Common shareholders' equity reached $2.6 billion in 1999, an increase of $229 million over 1998, primarily from current year's net earnings retained in the business. During the year, the Company purchased 1,124,500 of its common shares, pursuant to Normal Course Issuer Bids (NCIB), on The Toronto Stock Exchange at market prices. This reduced common share capital by less than $1 million and retained earnings by $63 million. In addition, the Company intends to renew its NCIB to purchase on The Toronto Stock Exchange up to 5% of its common shares outstanding. The Company, in accordance with the rules and by-laws of The Toronto Stock Exchange, may purchase its shares at the then market prices of such common shares.

The Company's dividend policy is to declare dividends equal to approximately 20 to 25% of the prior year's normalized net earnings per common share giving consideration to the year end cash position, future cash flow requirements and investment opportunities.

Total Debt and Debt Equivalents to Equity and Interest Coverage

(Continuing Operations)



Total Debt and Debt Equivalents to Equity[1] (including Exchangeable Debentures)

Total Debt and Debt Equivalents to Equity[1] (excluding Exchangeable Debentures)

Interest Coverage

(1) Including cash and short term investments

ACCOUNTING POLICY CHANGES SUBSEQUENT TO 1999

The CICA has issued two accounting standards, Section 3465 "Income Taxes" and Section 3461 "Employee Future Benefits", effective for fiscal years beginning on or after January 1, 2000.

Section 3465 will change the Company's method of accounting for income taxes from the deferred method to the asset and liability method. Under the asset and liability method, future income taxes are recognized for the temporary differences between the tax and accounting bases of the Company's assets and liabilities based on income tax rates and income tax laws that are expected to apply in the periods in which the differences are expected to affect income. Adoption of this new standard is not expected to have a material effect on the Company's consolidated financial statements.

Section 3461 requires employee future benefits, including pension and other retirement and post-employment benefits, to be measured using market interest rates on high quality debt instruments instead of management's best estimate of the effect of future events. As employee future benefits include other retirement and post-employment benefits, the Company must change the method of accounting for these benefits from the cash basis to the accrual basis as described above. The annual benefit expense will depend on a number of variables that are market driven and outside the control of the Company. These variables include future medical inflation rates, health care cost trend rates, benefit plan changes and interest rates.

The Company intends to adopt both standards retroactively without restatement of prior years. Therefore, in the first quarter of fiscal 2000, the cumulative effect of initial adoption will be reported as an increase to retained earnings of approximately $19 million for Section 3465 and a decrease to retained earnings of approximately $114 million (net of income tax of $82 million) for Section 3461.

RISK AND RISK MANAGEMENT

The Company carries on business in the Food Processing and Food Distribution segments, with each having its own risk profile and risk management strategy.

Food Processing, which includes fresh and frozen baking, biscuit and dairy operations, as well as fish processing, is geographically diverse and focuses on brand development, low production costs and maintenance of a broad customer base. To this end, Food Processing emphasizes market expansion activities, cost reduction initiatives, maintenance of a focused and appropriate number of product lines, longer production runs to keep production costs as low as possible and high service levels. Operations are strategically located across Canada and in various regions of the United States and, in the case of fisheries, on both North American coasts and in Chile.

Food Distribution is carried out through Loblaw, an aggressive competitor that manages operating risks through innovation (store design, format and controlled label product development), realization of cost benefits from economies of scale and by operating across a broad geographic base in Canada. Loblaw follows a strategy of enhancing profitability on a market-by-market basis by selecting a store format, size and banner that is the best fit for each market. The strategy of owning real estate whenever possible enhances its operating flexibility and also allows Loblaw to benefit from any long term property value appreciation. Also, the development of powerful controlled label products enhance customer loyalty by providing overall superior value and provides some protection against national brand pricing strategies.

The Company will enter new markets and will review acquisitions when the opportunities arise. The Company will also exit a particular market and reallocate assets elsewhere when there is a strategic advantage to do so.

The financial strength of the Company and the strategic deployment of its financial resources allow for the successful implementation of operating risk strategies. The Company maintains a strong balance sheet in order to minimize its vulnerability to short term earnings pressure and to provide a stable base for sustainable long term growth.

The Company has good relations with its employees and unions and, although possible, no labour disruption is anticipated. The Company, however, is willing to accept the short term costs of labour disruption in order to achieve competitive labour costs for the longer term, which helps to ensure long term sustainable sales and earnings growth.

The Company self-insures its own risks to an appropriate level and limits its exposure through the purchase of excess insurance from financially stable insurance companies. The Company has comprehensive loss prevention programs in place and actively manages its claims handling and litigation processes to reduce the risk it retains.

The Company endeavours to be a socially and environmentally responsible company and recognizes that the competitive pressures for economic growth and cost efficiency must be integrated with environmental stewardship and ecological considerations.

YEAR 2000

The Company has been addressing the year 2000 challenge for several years. Systems development to modernize and enhance systems is an ongoing investment process in the Company. This development investment had the added benefit, in many instances, of ensuring year 2000 compliance. In 1999, the Company completed and tested its systems modifications and replacements ensuring its readiness for the year 2000.

As the change in date has occurred, the Company believes that it adequately addressed the risks posed by the year 2000 issue and as a result the year 2000 issue has had no material or adverse effect on operations, earnings and financial condition.

OUTLOOK

The continued realization of the benefits from the reorganizations and integrations, in addition to the capital investment program, are expected to produce good results going forward. Sales and earnings growth for Food Processing and Food Distribution in 2000 are expected to continue at rates consistent with the past several years.

MANAGEMENT'S STATEMENT OF RESPONSIBILITY

Management is responsible for the preparation and presentation of the consolidated financial statements and all other information in the Annual Report. This responsibility includes the selection and the consistent application of appropriate accounting principles and methods in addition to making the judgements and estimates necessary to prepare the consolidated financial statements in accordance with Canadian generally accepted accounting principles. It also includes ensuring that the other financial information presented elsewhere in the Annual Report is consistent with the consolidated financial statements.

To provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is being produced, management maintains a system of internal controls. Internal auditors, who are employees of the Company, review and evaluate internal controls on management's behalf, coordinating this work with the independent auditor. The consolidated financial statements have been audited by the independent auditor, KPMG LLP, whose report follows.

The Board of Directors, acting through the Audit Committee which is comprised solely of directors who are not employees of the Company, is responsible for determining that management fulfills its responsibilities in the preparation of the consolidated financial statements and the financial control of operations. The Audit Committee recommends the independent auditor for appointment by the shareholders. It meets regularly with financial management, internal auditors and the independent auditor to discuss internal controls, auditing matters and financial reporting issues. The independent auditor and internal auditors have unrestricted access to the Audit Committee. The Audit Committee reviews the consolidated financial statements and the Management Discussion and Analysis prior to the Board of Directors approving them for inclusion in the Annual Report.

Richard J. Currie
RICHARD J. CURRIE
President

D G Reid
DONALD G. REID
Chief Financial Officer

Stephen A. Smith
STEPHEN A. SMITH
Senior Vice President, Controller

Toronto, Canada
March 8, 2000

AUDITOR'S REPORT

To the Shareholders of George Weston Limited:

We have audited the consolidated balance sheets of George Weston Limited as at December 31, 1999 and 1998 and the consolidated statements of earnings, retained earnings and cash flow for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG

CHARTERED
ACCOUNTANTS

KPMG LLP

Toronto, Canada
March 8, 2000

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended December 31

($ millions)	1999	1998
SALES	$20,851	$14,726
OPERATING EXPENSES		
Cost of sales, selling and administrative expenses	19,525	13,809
Depreciation	357	262
	19,882	14,071
OPERATING INCOME	969	655
Interest expense (income)		
Long term	172	124
Other	(36)	(20)
	136	104
UNUSUAL ITEMS (notes 2 and 3)	7	415
EARNINGS FROM CONTINUING OPERATIONS BEFORE THE FOLLOWING:	840	966
Income taxes (note 4)	301	209
	539	757
Goodwill charges (note 1)	49	6
	490	751
Minority interest	139	81
NET EARNINGS FROM CONTINUING OPERATIONS	351	670
NET EARNINGS FROM DISCONTINUED OPERATIONS (note 2)		103
NET EARNINGS FOR THE YEAR	$ 351	$ 773
EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS BEFORE GOODWILL CHARGES ($)	$ 3.04	$ 5.10
NET EARNINGS PER COMMON SHARE ($)	$ 2.67	$ 5.82
Less discontinued operations		.77
NET EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS ($)	$ 2.67	$ 5.05

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Years ended December 31

($ millions)	1999	1998
RETAINED EARNINGS, BEGINNING OF YEAR	$ 2,298	$ 1,672
Net earnings for the year	351	773
Premium on common shares purchased for cancellation (note 9)	(63)	(94)
Stock option plan cash payments, net of tax (note 1)	(1)	
Subsidiary stock option plan cash payments, net of tax (note 1)	(2)	
	2,583	2,351
Dividends declared		
Common shares, per share – 44¢ (1998 – 40¢)	58	53
RETAINED EARNINGS, END OF YEAR	$ 2,525	$ 2,298

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

As at December 31

($ millions)	1999	1998
ASSETS		
CURRENT ASSETS		
Cash (note 5)	$ 699	$ 736
Short term investments (note 5)	312	56
Accounts receivable	536	531
Inventories	1,464	1,478
Prepaid expenses and other assets	64	99
Taxes recoverable	95	15
	3,170	2,915
FRANCHISE INVESTMENTS AND OTHER RECEIVABLES	164	141
FIXED ASSETS (note 6)	4,204	3,839
GOODWILL (note 3)	1,923	1,587
OTHER ASSETS (note 2)	588	554
	$10,049	$9,036
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness (note 5)	$ 194	$ 75
Commercial paper (note 5)	643	231
Accounts payable and accrued liabilities	2,444	2,222
Short term bank loans (note 3)		770
Long term debt due within one year (note 8)	36	27
	3,317	3,325
LONG TERM DEBT (note 8)	2,584	1,984
OTHER LIABILITIES	233	135
DEFERRED INCOME TAXES	227	248
MINORITY INTEREST	1,070	955
	7,431	6,647
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (note 9)	69	63
RETAINED EARNINGS	2,525	2,298
CUMULATIVE FOREIGN CURRENCY TRANSLATION ADJUSTMENT	24	28
	2,618	2,389
	$10,049	$9,036

See accompanying notes to consolidated financial statements.

Approved by the Board

W. Galen Weston

W. Galen Weston
Director

Richard J. Currie

Richard J. Currie
Director

CONSOLIDATED CASH FLOW STATEMENTS

Years ended December 31

($ millions)	1999	1998
OPERATIONS		
Earnings from continuing operations before minority interest	$ 490	$ 751
Depreciation and amortization	409	269
Gain on unusual items (notes 2 and 3)	(7)	(415)
Loss (gain) on fixed asset sales	7	(14)
Deferred income taxes	44	25
Other	(8)	(11)
	935	605
Changes in continuing operations non-cash working capital	12	(17)
CASH FLOWS FROM CONTINUING OPERATING ACTIVITIES BEFORE THE FOLLOWING:	947	588
Acquisition restructuring and other charges	(135)	
CASH FLOWS FROM CONTINUING OPERATING ACTIVITIES	812	588
INVESTMENT		
Fixed asset purchases	(911)	(720)
Short term investments (note 5)	(256)	67
Proceeds from fixed asset sales	37	43
Business acquisitions (note 3)	(44)	(1,228)
Business dispositions (notes 2 and 3)	216	435
(Increase) decrease in franchise investments and other receivables	(29)	19
Net (increase) decrease in other items	(53)	60
CASH FLOWS USED IN INVESTING ACTIVITIES OF CONTINUING OPERATIONS	(1,040)	(1,324)
NET CASH FLOW FROM DISCONTINUED OPERATIONS (note 2)		47
FINANCING		
Short term bank loans (note 3)	(770)	767
Commercial paper (note 5)	412	(100)
Long term debt (note 8)		
Issued	602	575
Retired	(14)	(114)
Share capital (note 9)		
Issued	7	3
Retired	(64)	(95)
Subsidiary share capital		
Issued	3	22
Retired	(22)	(22)
Dividends		
To shareholders	(55)	(51)
To minority shareholders	(22)	(16)
Other	(5)	
CASH FLOWS FROM FINANCING ACTIVITIES	72	969
(DECREASE) INCREASE IN CASH	(156)	280
Cash at beginning of year	661	381
CASH AT END OF YEAR	$ 505	$ 661
CASH POSITION		
Cash	$ 505	$ 661
Short term investments	312	56
Commercial paper	(643)	(231)
Cash position	$ 174	$ 486
OTHER CASH FLOW INFORMATION		
Net interest paid	$ 168	$ 122
Net income taxes paid	$ 219	$ 234

Cash is defined as cash net of bank indebtedness.
Cash position is defined as cash and short term investments net of bank indebtedness and commercial paper.
See accompanying notes to consolidated financial statements.

December 31, 1999
($ millions except Share Capital)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. For 1998, the consolidated financial statements and accompanying notes present the Company's Forest Products segment, E.B. Eddy Limited ("E.B. Eddy"), as discontinued operations (see Note 2).

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiary companies with provision for minority interests. The Company's effective interest in the voting equity share capital of its principal subsidiaries is 100%, except for Loblaw Companies Limited ("Loblaw") which is 63.1% (1998 – 63.2%).

CASH OFFSETTING

Cash balances, for which the Company has the ability to and intent of offset, are used to reduce reported bank indebtedness.

INVENTORIES (PRINCIPALLY FINISHED PRODUCTS)

Retail store inventories are stated at the lower of cost and net realizable value less normal profit margin. Other inventories are stated principally at the lower of cost and net realizable value. Cost is determined substantially using the first-in, first-out method.

FIXED ASSETS

Fixed assets are stated at cost including capitalized interest. Depreciation is recorded principally on a straight-line basis to amortize the cost of these assets over their estimated useful lives. Estimated useful lives range from 5 to 40 years for buildings and 2 to 20 years for equipment and fixtures. Leasehold improvements are depreciated over the lesser of the applicable useful life and the term of the lease.

GOODWILL

Goodwill represents the excess of the purchase price of the business acquired over the fair value of the underlying net tangible assets acquired at the date of acquisition. Goodwill is being amortized on a straight-line basis over the estimated life of the benefit determined for each acquisition. The weighted average remaining amortization period is 38 years. Any permanent impairment in value, based on projected cash flows, is written off against net earnings. Goodwill charges are net of income tax recovery of $3 (1998 – $1).

TRANSLATION OF FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies of self-sustaining foreign operations are translated at the exchange rates in effect at each year end date. The resulting exchange gains or losses are included in the cumulative foreign currency translation adjustment in shareholders' equity. The exchange gains or losses arising from items designated as hedges against these assets and liabilities are also included in the cumulative foreign currency translation adjustment.

Foreign monetary balances of Loblaw and integrated foreign operations are translated at the exchange rates at each year end date and foreign non-monetary balances are translated at their historical exchange rates. Exchange gains or losses arising from the translation of these foreign monetary balances are reflected in the current year's net earnings.

Revenues and expenses denominated in foreign currencies are translated at the average exchange rates for the year.

FINANCIAL DERIVATIVES

The Company uses interest rate derivatives and currency derivatives to manage its exposure to fluctuations in exchange rates and interest rates. When entered into, these derivatives are designated as hedges of the underlying asset, liability, firm commitment or anticipated transaction. Gains or losses on hedges of existing assets or liabilities are deferred. Unrealized gains or losses on hedged commitments or anticipated transactions are not recorded in the consolidated financial statements until the transaction occurs. Gains or losses on hedges against the Company's net investment in self-sustaining foreign operations are included in the cumulative foreign currency translation adjustment.

POST-RETIREMENT BENEFITS AND PENSIONS

The Company accrues for post-retirement health benefits when the portion of the obligation applicable to active employees of a business unit has been eliminated.

The cost of post-retirement health, insurance and other benefits, excluding pensions, is expensed when paid. Defined benefit pension expense is accrued as earned.

STOCK OPTION PLAN

The Company has an employee stock option plan as described in Note 9. Consideration paid by employees on the exercise of a stock option is credited to share capital. For those employees electing to receive the cash differential, the excess of the market price of the shares at date of exercise over the specified stock option price, together with the related taxes of $.3 in 1999, are charged to retained earnings. Subsidiary stock option plan payments are net of $1 in related taxes for 1999.

USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future.

COMPARATIVE FIGURES

Certain prior year's information was reclassified to conform with the current year's presentation.

2. DISCONTINUED OPERATIONS AND BUSINESS DISPOSITIONS

DISCONTINUED OPERATIONS

On July 31, 1998, the Company sold its Forest Products business operated by E.B. Eddy to Domtar Inc. ("Domtar") for proceeds of $803 consisting of $435 cash and $368 of Domtar common shares. The Company subsequently issued $375 of 3% Exchangeable Debentures, exchangeable for common shares of Domtar. The investment in the Domtar common shares is accounted for using the cost method and is included in other assets. The Company recognized a net after-tax gain of $76 ($193 before tax). E.B. Eddy's operating results for all years presented are reflected as discontinued operations.

The statement of earnings reclassification for E.B. Eddy was as follows:

	Period Ended July 31, 1998
CONDENSED STATEMENTS OF EARNINGS	
Sales	$542
Operating income	38
Income taxes	11
Net gain on disposition	76
Net earnings from discontinued operations	103

BUSINESS DISPOSITIONS

In 1999, the Company's subsidiary, B.C. Packers Limited, sold its branded canned seafood distribution business and its production facilities for proceeds of $55. In 1998, an $18 provision for loss on the sale was included in unusual items and income taxes of $7 applicable to this loss was included in income taxes.

3. BUSINESS ACQUISITIONS

FOOD PROCESSING

During the first quarter of 1999, the Company's Neilson Dairy business completed the acquisition of the Ontario dairy operation of Oshawa Foods for $28 cash, resulting in goodwill of $11. The acquisition was accounted for using the purchase method. The fair value of the acquired working capital including other assets was $14 and of the acquired fixed assets was $3. The fair value of the net assets acquired and the results of operations, since the date of acquisition, have been included in the Company's consolidated financial statements. The goodwill arising on this transaction is being amortized over 10 years.

In 1998, the Company acquired two frozen bagel operations in the United States, a Seattle based fruit pie producer, a fresh bread and roll bakery in Reading, Pennsylvania and substantially all the business interests of a Canadian flat bread specialty baker for an aggregate total of $225 cash, resulting in goodwill of $139. These acquisitions were accounted for using the purchase method. The fair value of the acquired working capital including other assets was $16 and of the acquired fixed assets was $70. The fair value of the net assets acquired and the results of operations, since the date of each acquisition, have been included in the Company's consolidated financial statements. The goodwill arising on all of these transactions is being amortized over 40 years.

FOOD DISTRIBUTION

(i) On January 18, 1999, Loblaw purchased the remaining 2% of Provigo Inc.'s ("Provigo") common shares, pursuant to which Loblaw issued 525,841 common shares (including 64 common fractional shares which were subsequently cancelled) valued at $16 and paid $14 in cash. This issuance of common shares by Loblaw had a minor impact on the Company's ownership of Loblaw and resulted in a non-cash pre-tax gain of $7. This gain was not tax effected. On December 10, 1998, Loblaw purchased 98% of Provigo's common shares, pursuant to which Loblaw issued 28,715,059 common shares valued at $890, paid $771 in cash and assumed net bank indebtedness of $89. This issuance of common shares by Loblaw reduced the Company's ownership in 1998 to 63% from 71% and resulted in a non-cash pre-tax gain of $433. This gain was not tax effected. The $771 cash consideration was financed by way of a 364 day unsecured credit facility that was repaid during 1999. In total, Loblaw issued 29,240,900 common shares valued at $906, paid cash of $785 and assumed net bank indebtedness of $89 to acquire Provigo.

The Provigo acquisition was accounted for using the purchase method. During the second quarter of 1999, Loblaw completed the Provigo valuation analysis and recorded the purchase equation including goodwill of $1.6 billion. Since December 10, 1998, 100% of Provigo's results of operations have been included in Loblaw's consolidated financial statements excluding the results of certain stores, principally 44 Loeb stores. In 1999, Loblaw sold these 44 stores for proceeds of $161 representing fair value. This sale transaction was recorded as part of the Provigo purchase equation.

The goodwill arising on this transaction is being amortized over 40 years. Details of the purchase equation including total consideration paid and net assets acquired at their fair values are summarized below:

Fixed assets	$ 553
Other assets (including Provigo net bank indebtedness of $89)	435
Liabilities (including Provigo long term debt)	(1,087)
Net assets including acquisition restructuring and other charges acquired	(99)
Goodwill	1,643
	1,544
Less non-cash consideration:	
Common shares issued	(906)
Acquisition costs	(14)
Net cash paid (cash paid of $785 less proceeds on disposition of $161)	624
Net bank indebtedness assumed	89
Cash consideration	$ 713

(ii) On November 30, 1998, Loblaw purchased Agora Foods, the Atlantic Canada food distribution operations

of Oshawa Foods, for cash paid of $81 resulting in goodwill of $49. This acquisition was accounted for using the purchase method. The fair value of the acquired working capital including other assets was $4 and of the acquired fixed assets was $28. The fair value of the net assets acquired and the results of operations have been included in Loblaw's consolidated financial statements from the date of acquisition. The goodwill arising on this transaction is being amortized over 40 years.

OTHER ACQUISITIONS

During the first quarter of 1999, the Company purchased 54,135 (1998 – 2,226,946) common shares of Loblaw for $2 (1998 – $62), representing fair market value, from certain directors and officers of the companies, creating goodwill of $2 (1998 – $48).

Purchases by Loblaw of its common shares are recorded by the Company as step acquisitions of Loblaw. During 1999, Loblaw purchased 630,200 (1998 – 60,000) of its common shares for $22 (1998 – $2) pursuant to its Normal Course Issuer Bids, resulting in goodwill of $10 (1998 – $2).

4. INCOME TAXES

The Company's effective income tax rate for continuing operations is made up as follows:

	1999	1998
Combined basic Canadian federal and provincial income tax rate	42.8%	44.5%
Net decrease resulting from:		
Operating in countries with lower effective income tax rates	(2.8)	(1.9)
Non-taxable amounts including capital gains/losses and dividends	(1.4)	(.7)
Other	(2.5)	(2.4)
	36.1	39.5
Unusual items not tax effected	(.3)	(17.9)
Effective income tax rate before goodwill charges	35.8	21.6
Non-taxable goodwill charges	2.0	.1
Effective income tax rate	37.8%	21.7%

5. CASH, SHORT TERM INVESTMENTS, BANK INDEBTEDNESS AND COMMERCIAL PAPER

Cash, short term investments, bank indebtedness and the Company's commercial paper program form an integral part of the Company's cash management. The Company has $990 (1998 – $789) in cash and short term investments held by its non-Canadian subsidiaries which are carried at the lower of cost or quoted market value. The $48 (1998 – $39) income from these investments is included as a reduction of other interest expense. Cash of $699 (1998 – $736) consists of cash and short term investments with a maturity from the year end date of less than 90 days. Short term investments of $312 (1998 – $56) consist primarily of United States government securities, commercial paper, bank deposits and repurchase agreements with a maturity from the year end date of greater than 90 days.

6. FIXED ASSETS

	1999			1998		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Properties held for development	$ 246		$ 246	$ 164		$ 164
Properties under development	114		114	150		150
Land	706		706	627		627
Buildings	1,983	$ 468	1,515	1,743	$ 403	1,340
Equipment and fixtures	2,644	1,405	1,239	2,359	1,167	1,192
Leasehold improvements	519	166	353	457	131	326
	6,212	2,039	4,173	5,500	1,701	3,799
Capital leases – buildings and equipment	85	54	31	86	46	40
	$6,297	$2,093	$4,204	$5,586	$1,747	$3,839

Interest capitalized to fixed assets during the year is $17 (1998 – $13).

7. PENSIONS

The Company maintains defined benefit pension plans. Current actuarial estimates indicate that the Company's registered defined benefit pension plans have a present value of accrued pension benefits of $885 (1998 – $856) and a market-related value of pension fund assets of $1,150 (1998 – $1,050). As at year end, prepaid pension costs of $184 (1998 – $114) relating to these plans are included in other assets.

8. LONG TERM DEBT

	1999	1998
GEORGE WESTON LIMITED		
Debentures		
Series A, 7.45%, due 2004	$ 200	$ 200
Exchangeable Debentures, 3%, due 2023, redeemable in 2005 (i)		
Carrying amount	618	323
Deferred amount	(243)	52
Notes, 12.7%, due 2030		
Principal	150	150
Effect of coupon repurchase	(106)	(94)
Other long term debt		2
LOBLAW COMPANIES LIMITED		
Debentures		
Series 5, 10%, due 2006, retractable annually commencing 1996, redeemable in 2001 (ii)	50	50
Series 8, 10%, due 2007, redeemable in 2002	61	61
Notes		
11.4%, due 2031		
Principal	151	151
Effect of coupon repurchase	11	15
8.75%, due 2033	200	200
7.34%, due 2001	100	100
5.39% to 2000 and 7.91% thereafter, due 2007, redeemable in 2000	100	100
6.65%, due 2027	100	100
6.45%, due 2028	200	200
5.75%, due 2009	125	
6.50%, due 2029	175	
6.00%, due 2014	100	
6.45%, due 2039	200	
Provigo Inc. Debentures		
Series 1991, 11.25%, due 2001	100	100
Series 1996, 8.7%, due 2006	125	125
Series 1997, 6.35%, due 2004	100	100
Other (iii)	32	
Other at a weighted average interest rate of 11.6%, due 2000 to 2039	71	76
Total long term debt	2,620	2,011
Less due within one year	36	27
	$2,584	$1,984

The 5 year schedule of repayment of long term debt based on the earlier of maturity or first retraction date, excluding the Loblaw Series 5 debentures which may be renewed depending on market conditions at the time of renewal and excluding the Exchangeable Debentures, is as follows: 2000 – $36; 2001 – $214; 2002 – $13; 2004 – $304. Subsequent to year end, Loblaw announced its intention to redeem its $100 5.39% Notes in accordance with their terms.

(i) In June 1998, the Company issued $375 of 3% Exchangeable Debentures due June 30, 2023. Each one thousand dollar principal amount of the 3% debentures is exchangeable at the option of the holder for 95.2381 common shares of Domtar. The 3% debentures are redeemable at the option of the Company after June 30, 2005. Upon notice of redemption by the Company or within 30 days prior to the maturity date, the holder has the option to exchange each one thousand dollar principal amount for 95.2381 Domtar common shares plus accrued interest payable in cash.

The Company's obligation on the exchange or redemption of these debentures can be satisfied by delivery of the cash equivalent equal to the current market value of Domtar common shares at such time, the Domtar common shares or any combination thereof. Upon maturity, the Company at its option may deliver cash, the Domtar common shares or any combination thereof equal to the principal amount plus accrued interest.

The carrying amount of these debentures is based on the market price, at the reporting date, of the underlying Domtar common shares. As a result of issuing these debentures, the investment in Domtar as described in Note 2 is effectively hedged, whereby the difference between the carrying amount and the original issue amount of the debentures is recorded as a deferred charge until exchange, redemption or maturity. No corresponding valuation adjustment is made to the investment.

(ii) The interest rate on the Loblaw Series 5 debentures was reset in 1999 at 10%. Current intentions are to reset the interest rate on the Series 5 debentures in 2000 to encourage renewal. Accordingly, the Series 5 debentures are excluded from the amount due within one year.

(iii) Provigo Inc. Debentures Other of $32 represents the unamortized portion of the adjustment to fair value of the Provigo Inc. debentures. This adjustment was recorded as part of the Provigo purchase equation and calculated using Loblaw's average credit spread applicable to the remaining life of Provigo debentures. The adjustment is being amortized over the remaining term of the Provigo Inc. debentures.

In 1998, Loblaw Companies Limited, First Preferred Shares, Second Series debt equivalents were redeemed according to their terms at $70 dollars each and the $75 Series 6, 9.75% debentures were redeemed.

Subsequent to year end 1999, Loblaw issued $200 of Notes with an interest rate of 6.95%, due 2005 and plans to file a shelf prospectus to issue up to $1.0 billion of Medium Term Notes covering a 2 year period from the filing date.

9. SHARE CAPITAL ($)

	1999	1998
Common shares issued (authorized – unlimited)	131,051,856	131,697,458
Common share capital ($ millions)	$69	$63
Weighted average common shares outstanding	131,699,413	132,686,367

STOCK OPTION PLAN

The Company maintains a stock option plan for certain employees. Under the plan, the Company may grant options for up to 7 million common shares. Stock options have up to a 7 year term, are exercisable at the designated common share price and vest 20% cumulatively on each anniversary date of the grant after the first anniversary. Employees granted stock options in 1998 and 1999 may elect to acquire common shares at the price specified in the terms of the option or may receive cash equal to the excess of the market price at the date of

exercise over the specified option price. In 1999, the Company issued 478,898 (1998 – 234,032) common shares for cash consideration of $7 million (1998 – $3 million) on the exercise of employee stock options and share appreciation value, net of tax, of $1 million was paid out on 35,850 common shares. A summary of the status of the Company's stock option plan and activity during the years is presented below:

	1999		1998	
	Options (number of shares)	Weighted Avg. Exercise Price/Share	Options (number of shares)	Weighted Avg. Exercise Price/Share
Outstanding options, beginning of year	3,051,169	$28.332	1,396,761	$13.002
Granted	94,305	$55.250	2,009,220	$37.667
Exercised	(514,748)	$14.879	(234,032)	$13.538
Forfeited/Cancelled	(88,290)	$31.842	(120,780)	$35.003
Outstanding options, end of year	2,542,436	$31.933	3,051,169	$28.332
Options exercisable, end of year	947,963	$21.254	1,079,569	$12.712

The following table summarizes information about the Company's stock options outstanding at December 31, 1999:

	Outstanding Stock Options			Exercisable Stock Options	
Range of Exercise Prices	Number of Options Outstanding	Weighted Avg. Remaining Contractual Life (years)	Weighted Avg. Exercise Price/Share	Number of Exercisable Options	Weighted Avg. Exercise Price/Share
$12.000 – $15.292	647,661	1	$12.596	617,349	$12.464
$37.667 – $55.250	1,894,775	5	$38.542	330,614	$37.667

The exercise of stock options would not materially dilute net earnings per common share.

NORMAL COURSE ISSUER BID (NCIB)

During 1999, the Company purchased 1,124,500 (1998 – 1,967,100) of its common shares for $64 million (1998 – $95 million) pursuant to Normal Course Issuer Bids.

In addition, the Company intends to renew its NCIB to purchase on The Toronto Stock Exchange up to 5% of its common shares outstanding. The Company, in accordance with the rules and by-laws of The Toronto Stock Exchange, may purchase its shares at the then market prices of such common shares.

10. FINANCIAL INSTRUMENTS

CURRENCY DERIVATIVES

The Company manages its exposure to fluctuations in exchange rates, principally on United States dollar denominated revenues, by a combination of forward foreign exchange contracts and option contracts. At year end, the forward foreign exchange contracts and option contracts covered periods of up to 1 year.

Loblaw has entered into currency derivatives to exchange an amount of $841 Canadian dollar debt for United States dollar debt. The derivatives are a hedge against exchange rate fluctuations on Loblaw's United States dollar net assets, principally short term investments. The derivatives mature as follows: 2000 – $119; 2001 – $85; 2002 – $90; 2003 – $49 and thereafter to 2009 – $498. Currency adjustments receivable or payable arising from the derivatives may be settled in cash on maturity or the term may be extended. As at year end, a currency adjustment of $58 (1998 – $58) was included in other liabilities.

INTEREST RATE DERIVATIVES

In 1999, the Company has entered into interest rate derivative agreements converting a notional $75 of 6.7% fixed rate debt into floating rate debt. The maturities are $75 in 2004.

Loblaw has entered into interest rate derivative agreements converting a net notional $217 of 7.8% fixed rate debt into floating rate debt. The net maturities are as follows: 2000 – $177; 2002 – $59; 2003 – $98; 2004 – $58 and thereafter to 2013 – $(175).

COUNTERPARTY RISK

Changes in the underlying exchange rates and interest rates of the Company's currency and interest rate derivatives will result in market gains and losses. Furthermore, the Company may be exposed to losses should any counterparty to its derivative contracts fail to fulfill its obligations. The Company has sought to minimize potential counterparty losses by transacting with counterparties that have a minimum A rating and placing risk adjusted limits on its exposure to any single counterparty. The Company has implemented internal policies, controls and reporting processes permitting ongoing assessment and corrective action respecting its derivatives activity. In addition, principal amounts on currency derivatives are netted by agreement and there is no exposure to loss of the notional principal amounts on the interest rate derivatives.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the estimated amount that the Company would receive or pay to terminate the contracts at the reporting date. The following methods and assumptions were used to estimate the fair value of each type of financial instrument by reference to various market value data and other valuation techniques as appropriate.

- The fair values of cash, short term investments, accounts receivable, bank indebtedness, commercial paper, accounts payable, accrued liabilities and short term bank loans approximate their carrying values given their short term maturities.
- The fair values of long term debt issues are estimated based on the discounted cash payments of the debt at the Company's estimated incremental borrowing rates for debt of the same remaining maturities.
- The fair value of the Exchangeable Debentures is estimated based on the market price, at the reporting date, of the underlying Domtar common shares.
- The fair values of interest rate derivatives are estimated by discounting cash payments of the derivatives at market derivative rates for derivatives of the same remaining maturities.
- The fair values of foreign exchange contracts are estimated based on the market spot and forward exchange rates and, where appropriate, option volatility for foreign exchange contracts of the same remaining maturities.

	1999		1998	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long term debt	$2,620	$2,859	$2,011	$2,230
Long term debt, excluding Exchangeable Debentures	$2,245	$2,241	$1,636	$1,907
Interest rate derivatives net asset		$ 10		$ 5
Foreign exchange contracts net asset				$ 1

11. OTHER INFORMATION

CONTINGENT LIABILITIES AND COMMITMENTS

The Company and its subsidiaries are involved in various claims and litigation arising out of the ordinary course and conduct of its business. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to such litigation to be material to these consolidated financial statements.

Commitments for net operating lease payments total \$1.5 billion (\$1.7 billion gross net of \$174 of expected sub-lease income). Net payments for each of the next 5 years and thereafter are as follows: 2000 – \$173; 2001 – \$147; 2002 – \$135; 2003 – \$131; 2004 – \$128 and thereafter to 2056 – \$763. Gross rentals under leases assigned at the time of sale of United States divisions and the sale of 44 Loeb stores for which Loblaw is contingently liable amount to \$259.

In May 1995, a state court civil action was commenced in Alaska against 2 subsidiaries of the Company and 71 other companies engaged in either processing sockeye salmon or purchasing processed salmon originating in Bristol Bay, Alaska. The suit was brought by 9 fishermen as a class action, alleging violations of the anti-trust laws of the State of Alaska. The claim is for damages of \$531 U.S. (subject to trebling). The case was dismissed against all defendants on summary judgement. The plantiffs have appealed and no material has been filed with respect to the appeal.

RELATED PARTY TRANSACTIONS

The Company's majority shareholder, Wittington Investments, Limited and its subsidiaries are related parties. It is the Company's policy to conduct all transactions and settle balances with related parties on normal trade terms.

Pursuant to an investment management agreement, a wholly owned non-Canadian subsidiary of Loblaw manages certain United States cash and short term investments on behalf of wholly owned non-Canadian subsidiaries of the Company. Management fees are based on market rates and are eliminated upon consolidation.

During 1998, the Company purchased two subsidiaries from Loblaw at fair values.

12. SEGMENTED INFORMATION (Continuing Operations)

REPORTABLE SEGMENTS

The Company has two reportable segments, Food Processing, primarily fresh and frozen bakeries, biscuit and dairy operations, as well as fish processing, and Food Distribution, carried on by Loblaw. The accounting policies of the segments are the same as those described in the Company's summary of significant accounting policies. Performance is evaluated based on operating income. Neither segment is reliant on any single external customer.

	1999	1998
SALES		
Food Processing	$ 2,578	$ 2,687
Food Distribution	18,783	12,497
Inter Group	(510)	(458)
Consolidated	$20,851	$14,726
OPERATING INCOME		
Food Processing	$ 166	$ 133
Food Distribution	803	522
Consolidated	$ 969	$ 655
DEPRECIATION AND GOODWILL AMORTIZATION		
Food Processing	$ 92	$ 84
Food Distribution	317	185
Consolidated	$ 409	$ 269
TOTAL ASSETS (1)		
Food Processing	$ 1,762	$ 1,536
Food Distribution	7,919	7,132
Consolidated	$ 9,681	$ 8,668
FIXED ASSET AND GOODWILL PURCHASES		
Food Processing	$ 120	$ 260
Food Distribution	1,221	1,927
Consolidated	$ 1,341	$ 2,187

GEOGRAPHIC SEGMENTS

The Company operates in Canada and the United States.

	1999	1998
SALES (EXCLUDING INTER GROUP)		
Canada	$19,482	$13,351
United States	1,369	1,375
Consolidated	$20,851	$14,726
FIXED ASSETS AND GOODWILL		
Canada	$ 5,588	$ 4,849
United States	539	577
Consolidated	$ 6,127	$ 5,426

(1) Excludes the $368 investment in Domtar common shares, which is effectively hedged as a result of issuing the 3% Exchangeable Debentures (see Notes 2 and 8).

eleven year summary

(Continuing Operations)

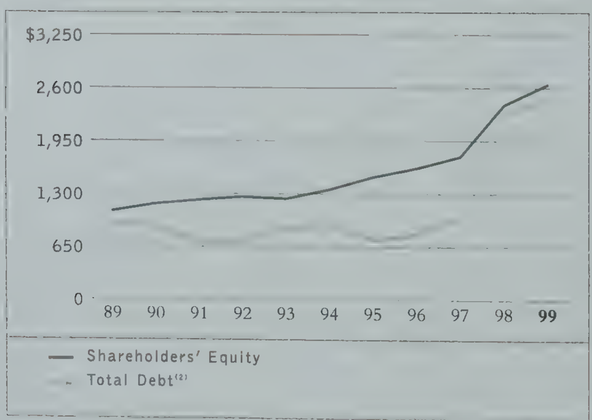
($ millions)	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
SALES AND EARNINGS											
Sales	**20,851**	14,726	12,975	11,815	12,046	12,242	11,404	11,167	10,342	10,328	9,831
Trading profit (EBITDA)	**1,326**	917	738	623	596	524	427	395	433	473	449
Operating income	**969**	655	517	432	396	324	253	228	287	329	304
Interest expense	**136**	104	73	84	102	106	90	100	115	121	133
Net earnings	**351**	670	197	194	97	71	11	44	101	98	86
FINANCIAL POSITION											
Working capital	**(147)**	(410)	77	97	125	(26)	44	138	338	244	190
Fixed assets	**4,204**	3,839	3,321	2,901	2,672	2,677	2,462	2,129	1,996	1,968	1,882
Goodwill	**1,923**	1,587	83	85	76	84	96	96	88	92	99
Total assets	**10,049**	9,036	5,878	5,441	5,122	4,787	4,459	3,995	3,829	3,872	3,708
Total debt(2)	**2,446**	2,295	1,022	804	743	929	874	727	723	910	946
Total shareholders' equity	**2,618**	2,389	1,756	1,615	1,506	1,353	1,238	1,262	1,222	1,173	1,086
CASH FLOW											
Cash flows from operating activities before acquisition restructuring and other charges	**947**	588	452	327	381	448	344	307	288	360	270
Capital investment	**911**	720	595	499	431	452	387	239	234	271	278

(1) Ratios are computed as follows:
Return on average total assets = operating income divided by average total assets excluding cash and short term investments.
Return on average common shareholders' equity = net earnings from continuing operations divided by average common shareholders' equity.
Total debt to shareholders' equity = total debt divided by total shareholders' equity.
Price/net earnings ratio = market value (year end) divided by total net earnings per common share, including discontinued operations.

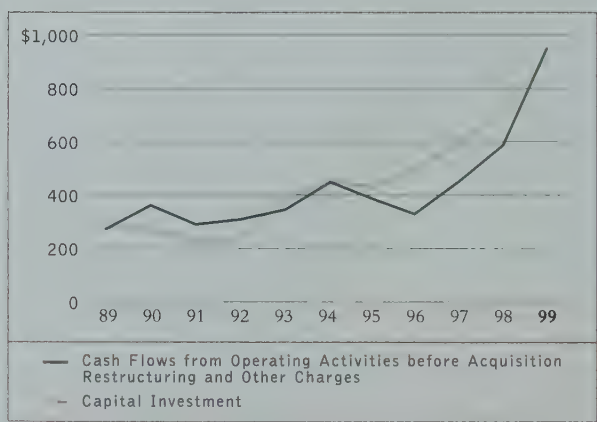
(2) Total debt is defined as total debt and debt equivalents less cash and short term investments.

(3) Certain prior years' information was reclassified to conform with the current year's presentation.

Capital Structure
($ millions)

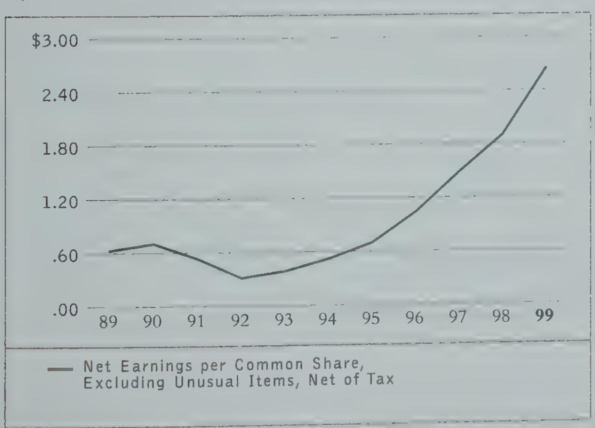


Cash Flows from Operating Activities and Capital Investment
($ millions)

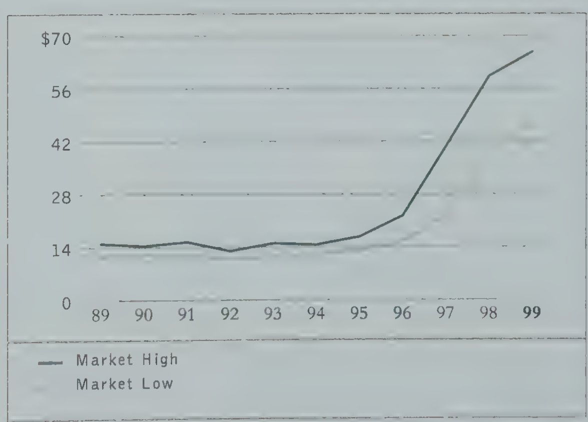


	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
PER COMMON SHARE ($)											
Earnings excluding unusual items and goodwill charges, both net of tax	**2.99**	1.92	1.49	1.03	.78	.57	.46	.35	.56	.79	.66
Net earnings, excluding unusual items, net of tax	**2.62**	1.87	1.47	1.01	.69	.50	.40	.31	.51	.70	.62
Net earnings	**2.67**	5.05	1.47	1.41	.69	.50	.08	.31	.73	.70	.62
Dividend rate (year end)	**.48**	.40	.33	.29	.27	.23	.23	.23	.23	.23	.23
Cash flows from operating activities before acquisition restructuring and other charges	**7.19**	4.43	3.37	2.37	2.69	3.18	2.45	2.20	2.07	2.60	1.95
Capital investment	**6.92**	5.43	4.43	3.61	3.05	3.21	2.76	1.71	1.68	1.95	2.01
Book value	**19.98**	18.14	13.16	11.87	10.66	9.58	8.81	9.03	8.77	8.46	7.82
Market value (year end)	**55.25**	58.50	40.67	22.28	16.75	14.08	13.00	12.25	12.25	13.92	14.42
FINANCIAL RATIOS											
Returns on sales (%)											
Trading profit (EBITDA)	**6.4**	6.2	5.7	5.3	4.9	4.3	3.7	3.5	4.2	4.6	4.6
Operating income	**4.6**	4.4	4.0	3.7	3.3	2.6	2.2	2.0	2.8	3.2	3.1
Net earnings, excluding unusual items, net of tax	**1.6**	1.7	1.5	1.2	.8	.6	.5	.4	.7	.9	.9
Return on average total assets[1] (%)	**11.2**	9.7	10.4	9.5	8.9	7.5	6.4	6.2	8.0	9.3	8.9
Return on average common shareholders' equity[1] (%)	**14.0**	32.3	11.7	12.4	6.8	5.5	.9	3.5	8.4	8.7	8.4
Interest coverage on total debt[2]	**7.1**	6.3	7.1	5.1	3.9	3.1	2.8	2.3	2.5	2.7	2.3
Total debt[2] to shareholders' equity[1]	**.93**	.96	.58	.50	.49	.69	.71	.58	.59	.78	.87
Total debt[2], excluding Exchangeable Debentures, to shareholders' equity[1]	**.79**	.80	.58	.50	.49	.69	.71	.58	.59	.78	.87
Cash flows from operating activities before acquisition restructuring and other charges to total debt[2]	**.39**	.26	.44	.41	.51	.48	.39	.42	.40	.40	.29
Price/net earnings ratio[1] (year end)	**20.7**	10.1	22.4	12.9	12.5	17.0	185.7	43.2	20.3	16.6	11.4
Market/book ratio (year end)	**2.8**	3.2	3.1	1.9	1.6	1.5	1.5	1.4	1.4	1.7	1.8

Net Earnings Per Common Share, Excluding Unusual Items, Net of Tax
($)



Common Share Market Value Range
($)



(Continuing Operations)

SEGMENTED INFORMATION

($ millions)	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
SALES											
Food Processing	2,578	2,687	2,399	2,374	2,611	2,666	2,414	2,227	2,088	2,224	2,186
Food Distribution	18,783	12,497	11,008	9,848	9,854	10,000	9,356	9,262	8,533	8,417	7,934
Inter Group	(510)	(458)	(432)	(407)	(419)	(424)	(366)	(322)	(279)	(313)	(289)
Consolidated	20,851	14,726	12,975	11,815	12,046	12,242	11,404	11,167	10,342	10,328	9,831
Canada	19,482	13,351	11,758	10,627	10,144	9,526	8,994	8,865	8,276	8,222	7,766
United States	1,369	1,375	1,217	1,188	1,902	2,716	2,410	2,302	2,066	2,106	2,065
OPERATING INCOME											
Food Processing	166	133	93	74	71	52	52	43	65	112	110
Food Distribution	803	522	424	358	325	272	201	185	222	217	194
Consolidated	969	655	517	432	396	324	253	228	287	329	304
CAPITAL INVESTMENT											
Food Processing	109	121	78	109	124	126	72	70	75	95	124
Food Distribution	802	599	517	390	307	326	315	169	159	176	154
Consolidated	911	720	595	499	431	452	387	239	234	271	278
TOTAL ASSETS(1)											
Food Processing	1,762	1,536	1,178	1,108	1,179	1,101	1,142	1,081	1,078	1,110	1,030
Food Distribution	7,919	7,132	3,857	3,566	3,210	3,044	2,726	2,507	2,325	2,260	2,183
Discontinued Operations			843	767	733	642	591	407	426	502	495
Consolidated	9,681	8,668	5,878	5,441	5,122	4,787	4,459	3,995	3,829	3,872	3,708
RETURN ON AVERAGE TOTAL ASSETS(2) (%)											
Food Processing	11.5	9.8	8.2	6.5	6.2	4.6	4.6	4.0	6.0	10.4	11.4
Food Distribution	11.8	10.7	14.0	13.4	12.2	10.3	8.4	8.5	10.3	19.4	9.1
Consolidated	11.2	9.7	10.4	9.5	8.9	7.5	6.4	6.2	8.0	9.3	8.9
OPERATING INCOME AS A PERCENTAGE OF SALES (%)											
Food Processing	6.4	4.9	3.9	3.1	2.7	2.0	2.2	1.9	3.1	5.0	5.0
Food Distribution	4.3	4.2	3.9	3.6	3.3	2.7	2.1	2.0	2.6	2.6	2.4
Consolidated	4.6	4.4	4.0	3.7	3.3	2.6	2.2	2.0	2.8	3.2	3.1

(1) Excludes the $368 investment in Domtar common shares, which is effectively hedged as a result of issuing the 3% Exchangeable Debentures.
(2) Return on average total assets = operating income divided by average total assets excluding cash and short term investments.
(3) Certain prior years' information was reclassified to conform with the current year's presentation.

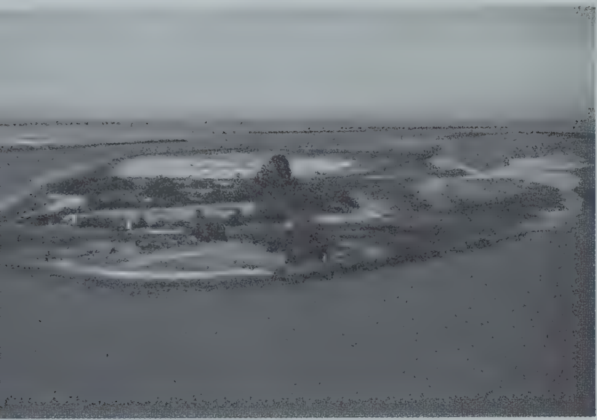
results by quarter

(Continuing Operations)

($ millions)		1999	1998
SALES			
	1st Quarter	$ 4,697	$ 3,093
	2nd Quarter	4,724	3,324
	3rd Quarter	6,388	4,475
	4th Quarter	5,042	3,834
		$20,851	$14,726
OPERATING INCOME			
	1st Quarter	$ 166	$ 95
	2nd Quarter	217	149
	3rd Quarter	264	182
	4th Quarter	322	229
		$ 969	$ 655
NET EARNINGS			
	1st Quarter	$ 51	$ 27
	2nd Quarter	79	56
	3rd Quarter	94	71
	4th Quarter	127	516
		$ 351	$ 670
EARNINGS BEFORE GOODWILL CHARGES PER COMMON SHARE ($)			
	1st Quarter	$ .46	$ .20
	2nd Quarter	.68	.42
	3rd Quarter	.83	.58
	4th Quarter	1.07	3.90
		$ 3.04	$ 5.10
NET EARNINGS PER COMMON SHARE ($)			
	1st Quarter	$ .38	$ .19
	2nd Quarter	.60	.42
	3rd Quarter	.71	.55
	4th Quarter	.98	3.89
		$ 2.67	$ 5.05
TRADING PROFIT (EBITDA)			
	1st Quarter	$ 246	$ 149
	2nd Quarter	311	207
	3rd Quarter	365	263
	4th Quarter	404	298
		$ 1,326	$ 917
CAPITAL INVESTMENT			
	1st Quarter	$ 196	$ 149
	2nd Quarter	178	153
	3rd Quarter	256	203
	4th Quarter	281	215
		$ 911	$ 720

Certain quarterly information was reclassified to conform with the current year's presentation.

contributing to the community



In 1999, Swishwash Island, near Vancouver, the site of an active cannery until 1903, was donated to The Nature Conservancy of Canada as a nature preserve by British Columbia Packers Limited.
Photography – Cameron Heryet

George Weston Limited is committed to improving quality of life in the communities it serves and believes that the business should participate with its employees in supporting our community organizations.

Contributions to community organizations are made by local operating divisions, as well as by George Weston Limited and The W. Garfield Weston Foundation, a private Canadian foundation associated with the Weston group of companies.

Our support is shared across Canada and is directed mainly toward medical research, education, conservation and community projects. George Weston Limited is one of many Canadian corporations that recognize and support the goals of the "IMAGINE" campaign. As a member of the "IMAGINE" Caring Company program, George Weston Limited is committed to contributing a minimum of 1% of pre-tax profits (cash and in-kind) to charitable organizations in Canada and encouraging employee volunteerism.

Imagine
A Caring Company

The following are a few of the many organizations we are proud to have supported in 1999:

Founders Circle Member of the Canadian Olympic Athlete Fund

PIER 21 SOCIETY
Halifax, Nova Scotia

LOCAL FOOD BANKS
Across Canada

SAINT JOHN LEARNING EXCHANGE
Saint John, New Brunswick

LES AMIS DE LA MONTAGNE
Montreal, Quebec

ROYAL VICTORIA HOSPITAL FOUNDATION
Montreal, Quebec

ARMY CADET LEAGUE OF CANADA
Across Canada

OTTAWA HEART INSTITUTE FOUNDATION
Ottawa, Ontario

LEARNING ENRICHMENT FOUNDATION
Toronto, Ontario

BIG BROTHERS OF KITCHENER-WATERLOO
Kitchener, Ontario

SCOUTS CANADA NATIONAL COUNCIL
Across Canada

YM-YWCA OF WINNIPEG
Winnipeg, Manitoba

CANADIAN INSTITUTE OF CHILD HEALTH
Across Canada

PARTNERS FOR THE SASKATCHEWAN RIVER BASIN
Saskatoon, Saskatchewan

MUSEUM OF THE REGIMENTS
Calgary, Alberta

COVENANT HOUSE VANCOUVER
Vancouver, British Columbia

CANADIAN OLYMPIC FOUNDATION
Across Canada

VANCOUVER AQUARIUM
Vancouver, British Columbia

We were proud to join the Canadian Merit Scholarship Foundation in 1998 in launching the Garfield Weston Awards, for study at Canadian universities. Because of the importance of community colleges as well as universities to education in Canada, in 1999 we awarded, in Ontario only, our first Garfield Weston Merit Scholarships for Colleges. These scholarships will be offered across Canada in future years.

The Canadian Merit Scholarship Foundation, in partnership with The W. Garfield Weston Foundation and other supporters, grants scholarships to outstanding students entering university and community college who show promise of leadership and a strong commitment to service in the community.

We are delighted to recognize and congratulate the Canadian Merit Scholarship Foundation, all its scholarship recipients and, in particular, the first 12 National Award winners of our Garfield Weston Merit Scholarship for Colleges:

ANGELA BORTOLUS
Mississauga
Cawthra Park Secondary School

LILLI-ANNE CARTER
Keswick
Aurora High School

MAY COCHRANE
Thunder Bay
Sir Winston Churchill Secondary School

ADRIENNE DEFAUX
Waterloo
Waterloo Collegiate Institute

PAULETTE GUAY
Whitby
Sinclair Secondary School

CHARLTON INGUANEZ
Toronto
Bishop Allen Academy

LAURA LEROUX
Toronto
R.H. King Academy

PETER MOSCONE
Toronto
Oakwood Collegiate Institute

GENEVIÈVE NOLET
Toronto
Western Technical – Commercial School

DANIEL NORTHWAY
Uxbridge
Uxbridge Secondary School

NAOMI RUBINOFF
Thornhill
York Mills Collegiate Institute

REBECCA SIMMONS
London
John Paul II High School

directors

W. GALEN WESTON
O.C., B.A., LL.D. 1*
Chairman and Director, George Weston Limited, Loblaw Companies Limited; Chairman, Wittington Investments, Limited, Holt, Renfrew & Co., Limited, Brown Thomas Group Limited, The Windsor Club; President, The W. Garfield Weston Foundation; Director, Associated British Foods plc, Canadian Imperial Bank of Commerce, Fortnum & Mason plc, United World Colleges.

RICHARD J. CURRIE
C.M., M.B.A., LL.D., P.Eng. 1
President and Director, George Weston Limited, Loblaw Companies Limited; Director, Imperial Oil Limited, BCE Inc., Nortel Networks Corporation.

ROBERT J. DART
B.Comm., F.C.A. 2,3,4
President, Wittington Investments, Limited; Former Senior Tax Partner, Price Waterhouse Canada; Director, Loblaw Companies Limited, Holt, Renfrew & Co., Limited, Brown Thomas Group Limited.

ANNE L. FRASER
B.Sc., LL.D. 5
Education Consultant, University of Victoria; Director, Crestar Energy, Neurosciences Canada, Pier 21 Society; Associate, Faculties of Management, Engineering, and Fine Arts, University of Calgary; Member, Advisory Board, Bamfield Marine Station; Associate Governor, Dalhousie University.

R. DONALD FULLERTON
B.A. 2*,3*
Former Chairman and Chief Executive Officer, Canadian Imperial Bank of Commerce; Director, Asia Satellite Telecommunications Holdings Ltd., Canadian Imperial Bank of Commerce, Honeywell Inc., Hollinger Inc., Westcoast Energy Inc., Orange, plc.

ANTHONY R. GRAHAM
1,4*
Vice Chairman and Director, National Bank Financial; President and Chief Executive Officer, Sumarria Inc.; Director, Loblaw Companies Limited, President's Choice Financial Trust Company, Wittington Investments, Limited, Graymont Limited, Power Broadcasting Inc., Continental Lime Inc.

MARK HOFFMAN
B.A., M.A., A.B., M.B.A.
Chairman, Cambridge Research Group Limited, Guinness Flight Venture Capital Trust plc, Hermes Lens Asset Management Limited (UK); Director, Millipore Corporation, Advent International Corporation (USA).

JOHN C. MAKINSON
B.A. 2
Group Finance Director, Pearson plc; Former Managing Director, Financial Times Newspaper.

GERALD B. MITCHELL
B.A., LL.D. 4,5*
Former Chairman and Chief Executive Officer, Dana Corporation; Director, Worthington Industries, Westpoint-Stevens.

M.D. WENDY REBANKS
B.A. 5
Treasurer, The W. Garfield Weston Foundation; Director, The Canadian Merit Scholarship Foundation, The American Museum Trustee Association.

JOHN D. STEVENSON
B.A., LL.B., Q.C. 3
Counsel, Smith, Lyons; Director, Holt, Renfrew & Co., Limited, Wittington Investments, Limited; Honorary Counsel, Canadian Educational Standards Institute.

GARRY H. WESTON
B.A.
Chairman, Associated British Foods plc; Chairman, George Weston Foods Ltd. (Australia), Fortnum & Mason plc, British Sugar plc; Trustee, The Royal Academy of Arts, Westminster Abbey.

1. Executive Committee
2. Audit Committee
3. Governance and Compensation Committee
4. Pension Committee
5. Environmental, Health and Safety Committee

* Chairman of Committee

operating group directories

Includes age and years of service

CORPORATE

W. GALEN WESTON, O.C.,
59 and 28 years
Chairman of the Board

RICHARD J. CURRIE, C.M.,
62 and 28 years
President

DONALD G. REID,
50 and 20 years
Chief Financial Officer

ROY R. CONLIFFE,
49 and 18 years
Senior Vice President,
Labour Relations

STEWART E. GREEN,
55 and 23 years
Senior Vice President,
Secretary and General
Counsel

RICHARD P. MAVRINAC,
47 and 17 years
Senior Vice President,
Finance

STEPHEN A. SMITH,
42 and 14 years
Senior Vice President,
Controller

ROBERT VAUX,
51 and 2 years
Senior Vice President,
Corporate Development

ROBERT A. BALCOM,
38 and 6 years
Vice President,
Assistant Secretary

J. BRADLEY HOLLAND,
36 and 6 years
Vice President, Taxation

MICHAEL N. KIMBER,
44 and 15 years
Vice President, Legal Counsel

LOUISE M. LACCHIN,
42 and 16 years
Vice President, Treasurer

GLENN D. LEROUX,
45 and 13 years
Vice President,
Risk Management

LUCY J. PAGLIONE,
40 and 16 years
Vice President,
Pension and Benefits

MARK A. RODRIGUES,
42 and 13 years
Vice President,
Internal Audit Services

FRANCA SMITH,
36 and 11 years
Vice President,
Financial Control

GEOFFREY H. WILSON,
44 and 13 years
Vice President,
Industry and Investor
Relations

ANN MARIE YAMAMOTO,
39 and 13 years
Vice President,
Information Technology

MARIAN M. BURROWS,
45 and 21 years
Assistant Secretary

LISA R. SWARTZMAN,
29 and 6 years
Assistant Treasurer

WALTER H. KRAUS,
37 and 11 years
Director,
Environmental Affairs

GARFIELD MITCHELL,
41 and 6 years
Director, Community Affairs

OPERATING

Weston Foods Canadian Operations

RALPH A. ROBINSON,
51 and 25 years
President

PIERRE E. BOUCHER,
45 and 16 years
Vice President, Sales
Boulangeries Weston Quebec

ROBERT D. BURCH,
43 and 17 years
Vice President and General
Manager, Food Services

EDWARD J. HOLIK,
41 and 11 years
Vice President and General
Manager, Weston Bakeries/
Ready Bake – Western
Canada

JUDITH A. McCRIE,
43 and 6 years
Vice President and General
Manager, Neilson Dairy

KIRK B. McGRATH,
44 and 8 years
Vice President and General
Manager, Weston Bakeries/
Ready Bake – Atlantic
Canada

KEVIN C. TRACEY,
42 and 12 years
Vice President and General
Manager, Weston Bakeries/
Ready Bake – Ontario

Weston Foods United States Operations

GARY J. PRINCE,
48 and 26 years
President

RAYMOND A. BAXTER,
55 and 12 years
President and CEO,
Interbake Foods

GARY J. PRINCE,
48 and 26 years
President,
Stroehmann Bakeries

PAUL D. DURLACHER,
48 and 10 years
President,
Maplehurst Bakeries

Fisheries

TERRENCE McDONNELL,
62 and 6 years
President and CEO,
Connors Bros., Limited

Loblaw Companies

RICHARD J. CURRIE, C.M.,
62 and 28 years
President

DAVID K. BRAGG,
51 and 16 years
Executive Vice President

SERGE K. DARKAZANLI,
57 and 25 years
Executive Vice President

JOHN A. LEDERER,
44 and 23 years
Executive Vice President

DONALD G. REID,
50 and 20 years
Executive Vice President

ROBERT G. CHENAUX,
56 and 24 years
Senior Vice President,
Corporate Brand
Development

ROY R. CONLIFFE,
49 and 18 years
Senior Vice President,
Labour Relations

STEWART E. GREEN,
55 and 23 years
Senior Vice President,
Secretary

DAVID R. JEFFS,
42 and 21 years
Senior Vice President,
Sourcing and Procurement

RICHARD P. MAVRINAC,
47 and 17 years
Senior Vice President,
Finance

STEPHEN A. SMITH,
42 and 14 years
Senior Vice President,
Controller

shareholder information

EXECUTIVE OFFICE
22 St. Clair Avenue East
Toronto, Canada M4T 2S7
Tel: (416) 922-2500
Fax: (416) 922-4395
Internet: www.weston.ca

STOCK LISTING
The Toronto Stock Exchange

SHARE SYMBOL
"WN"

COMMON SHARES
Total outstanding at year end – 131,051,856
Shares available for public trading at year end – 50,122,756

AVERAGE DAILY TRADING VOLUME
54,819

COMMON DIVIDEND POLICY
It is the Company's policy to maintain a stable dividend payment of 20 to 25% of the prior year's normalized net earnings per common share.

COMMON DIVIDEND DATES

RECORD DATE	PAYMENT DATE
Dec. 15	Jan. 1
March 15	April 1
June 15	July 1
Sept. 15	Oct. 1

NORMAL COURSE ISSUER BID
The Company has a Normal Course Issuer Bid on The Toronto Stock Exchange.

VALUE OF COMMON SHARES
For capital gains purposes, the Valuation Day (December 22, 1971) cost base for the Company, adjusted for the 4 for 1 stock split (effective May 27, 1986) and the 3 for 1 stock split (effective May 8, 1998), is $1.50 per share. The value on February 22, 1994 was $13.17 per share.

TRADEMARKS
George Weston Limited and its subsidiaries own a number of trademarks. Several subsidiaries are licensees of additional trademarks. These trademarks are the exclusive property of George Weston Limited or the licensor and where used in this report are in italics.

INVESTOR RELATIONS
Shareholders, security analysts and investment professionals should direct their inquiries or requests for copies of the Company's or Loblaw Companies Limited's Annual Report or Annual Information Form to Mr. Geoffrey H. Wilson, Vice President, Industry and Investor Relations at the Company's Executive Office.

Additional financial information has been filed electronically with various securities commissions in Canada through SEDAR.

Ce rapport est disponible en français.

This Annual Report includes selected information on Loblaw Companies Limited, a 63% owned public reporting company with shares trading on The Toronto Stock Exchange.

REGISTRAR AND TRANSFER AGENT
Montreal Trust Company of Canada
151 Front Street West, Toronto, Canada M5J 2N1

GENERAL COUNSEL
Borden Ladner Gervais LLP
Toronto, Canada

AUDITOR
KPMG LLP
Toronto, Canada

ANNUAL AND GENERAL MEETING
Wednesday, May 10, 2000 at 11:30 a.m.
Westin Harbour Castle Hotel
Frontenac Ballroom
Toronto, Canada

This report is printed in Canada on recycled paper.

Design – Campbell Sheffield Design Inc.; Photography – Dan Paul and Laszlo, Montreal; Printing – Matthews, Ingham and Lake Inc., A Quebecor Company

Weston

22 St. Clair Avenue East, Toronto, Canada M4T 2S7